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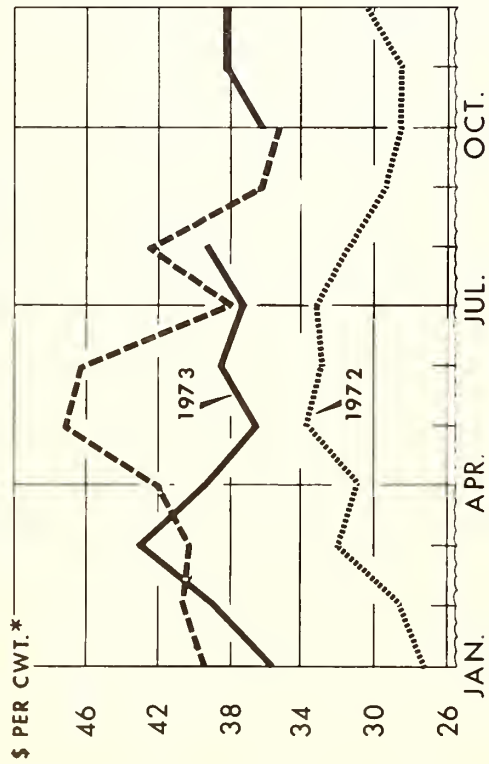
NOVEMBER 1974

# LIVESTOCK AND MEAT Situation

U.S. DEPT. OF AGRICULTURE



## SLAUGHTER LAMB PRICES

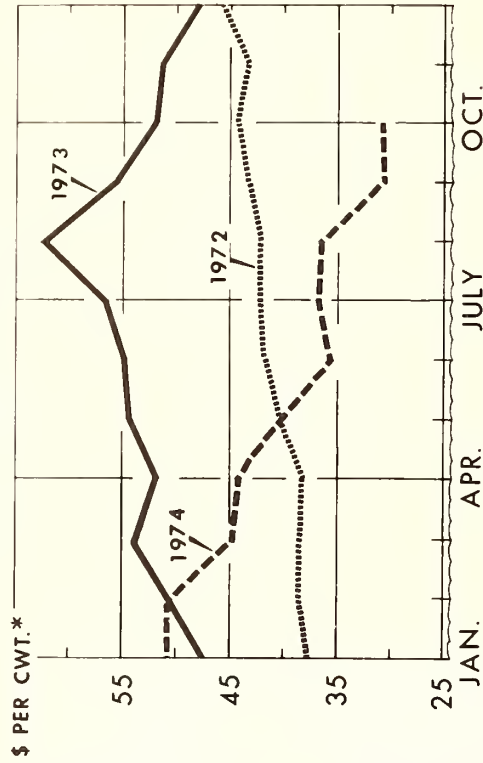


\* CHOICE GRADE AT SAN ANGELO, SPRING LAMBS: MARCH TO SEP. A - OTHER MONTHS WOOLEO

U.S. DEPARTMENT OF AGRICULTURE

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## FEEDER STEER PRICES

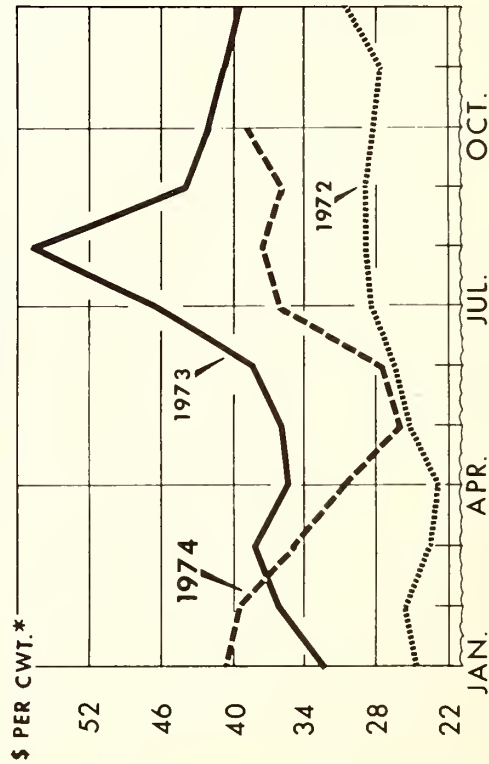


\* CHOICE GRADE, 600-700 LB. AT KANSAS CITY.

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## HOG PRICES

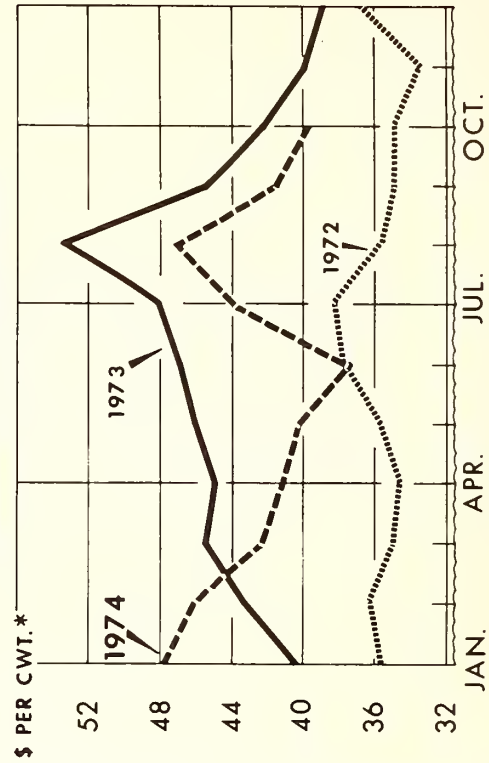


BARRONS AND GILTS AT 7 MARKETS

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 4218-74 (11) ECONOMIC RESEARCH SERVICE

## SLAUGHTER STEER PRICES



\* CHOICE GRADE, SOLO OUT OF FIRST RANCHES AT OMAHA

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1086-74 (11) ECONOMIC RESEARCH SERVICE

# LIVESTOCK AND MEAT SITUATION

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• • •

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February, May, July, August, October, and November.

## SUMMARY

The cattle inventory has probably grown by around 6 million head this year, setting the stage for record slaughter and total beef output in 1975, despite a reduction in cattle feeding.

This year's cattle slaughter will exceed 36 million head, up about 7 percent from 1973 and slightly above the previous record of 1972. All of the increase over 1973 will be in steers and heifers off grass or other roughage, and cows: fed cattle slaughter will be down 7 percent.

Fed cattle marketings will continue to lag 1974 rates at least through the first half of 1975 but more cows and other cattle will keep total slaughter supplies above year-earlier levels. Early 1975 beef output, while continuing above this year, is not expected to increase as much as the number of cattle slaughtered because average slaughter weights will be down. A larger proportion of cattle killed in 1975 will be coming off grass, and high feed costs will hold fed cattle market weights down.

The price dampening effect of large cattle supplies will be moderated by sharp cutbacks in broiler and pork output. Also, consumers' dollar incomes are expected to rise again, boosting demand for meat.

Feeder cattle and cow prices will probably continue low, averaging under this year. At midyear, there were substantially more cattle suitable for feedlot placement than a year earlier, but demand for feeder cattle is poor. In November, feeder steer prices were running about half the year-earlier price. Financial conditions of the feeding industry are improving slowly at best, as short supplies and high prices for feed grains persist. This situation will continue at least in the first half of 1975.

The low market for feeder calves will result in continued large increases in calf slaughter next year as packers now compete with feeders for the available supply. However, large calf slaughter will benefit calf producers in the long run by reducing the large supply of feeder cattle and helping to ease the pressure on feeder prices.

Feed supplies, pasture, and roughage will be a critical aspect of the cattle market during the upcoming months. At present, the situation suggests an increase in beef production next year of about the same magnitude as the increase this year over 1973. However, a severe winter, followed by a dry spring and summer, would

force a large number of cows and other cattle to slaughter, and the increase in 1975 beef output would substantially exceed that level.

Hog producers have responded to the feed grain situation this year by cutting back breeding stock numbers and planning fewer farrowings. In fact, the cutback this fall will likely exceed the intended 7 percent reduction in the fall pig crop indicated by the September report. Consequently, hog slaughter in the first half of next year could be down 10 percent or more. Additional damage to the corn crop since early September has further reduced corn yield expectations and kept grain prices at high levels. This has probably caused hog producers to further reduce the number of sows slated to farrow this fall.

Sharply reduced slaughter supplies will mean a higher hog market, particularly since broiler supplies are also expected to be smaller.

Sheep and lamb slaughter next year will likely decline as continued liquidation in the breeding herd reduces the 1975 lamb crop and slaughter supplies. Slaughter lamb prices will likely average above 1974, but high feed costs will keep feeder lamb prices well below the slaughter market in the first half.

Conditions currently suggest little change in total red meat output in January-June 1975. Larger beef and veal production probably will be mostly offset by smaller production of pork and lamb and mutton. Thus, if meat production is the same, retail meat prices likely will advance.

## SITUATION AND OUTLOOK

### Commercial Meat Production

	1973				1974				1975	
	I	II	III	IV	I	II	III	IV <sup>1</sup>	I <sup>1</sup>	II <sup>1</sup>
Beef (Mil. lbs.) . . . .	5,393	5,049	4,997	5,649	5,429	5,637	5,749	6,000	5,800	5,800
Percent change from										
Year earlier	0	-9	-10	-1	+1	+12	+15	+6	+7	+3
Previous quarter	-6	-6	-1	+13	-4	+4	+2	+3	-3	0
Pork (Mil. lbs.) . . . .	3,262	3,178	2,791	3,347	3,370	3,540	3,247	3,500	3,100	3,000
Percent change from										
Year earlier	-7	-6	-9	-5	+3	+11	+16	+5	-8	-15
Previous quarter	-7	-3	-12	+20	+1	+5	-8	+8	-11	-3
Lamb and Mutton (Mil. lbs.) . . . . .	126	127	128	123	120	108	118	112	110	105
Percent change from										
Year earlier	-11	-2	+3	-10	-5	-15	-8	-9	-8	-3
Previous quarter	-8	+1	+2	-4	-2	-10	+9	-5	-2	-5

<sup>1</sup> Forecast.

### Livestock Prices

	1973				1974				1975	
	I	II	III	IV	I	II	III	IV <sup>1</sup>	I <sup>1</sup>	II <sup>1</sup>
	<i>Dollars per 100 pounds</i>									
Choice steer, Omaha	43.17	46.00	49.04	40.20	45.40	39.52	44.21	38-40	43-45	44-46
Barrows and gilts, 7										
markets . . . . .	35.62	36.82	49.04	40.96	38.40	28.00	36.55	38-40	39-41	41-43
Slaughter lambs, 5										
markets . . . . .	38.25	36.00	36.63	35.00	39.66	45.40	37.97	38-40	40-42	42-44

<sup>1</sup> Forecast.



## CATTLE

Commercial cattle slaughter this year will exceed 36 million head, a new record. This would be 7 percent more than were killed in 1973 and slightly larger than the previous 1972 record. All of the 1974 increase is in steers and heifers off grass or other roughage, and cows. Fed cattle slaughter will be down 7 percent.

The cattle inventory during 1974 has probably expanded by around 6 million head. So in 1975, slaughter rates are expected to reach record levels with slaughter 8-10 percent larger than this year. Fed cattle marketings will likely continue to lag a year earlier at least through the first half but more cows and other cattle will keep total slaughter supplies larger than in 1974.

The cattle market has fallen sharply during 1974. Feeder cattle and cow prices have been most seriously affected. For example, Choice steers at Omaha will average about \$42 per 100 pounds this year, only \$1.50 below 1973, but Utility cows will average \$26, down \$7 and feeder yearlings, \$38, off \$15. In November, slaughter steer prices were running \$2 under a year earlier, cows \$12 below, and feeder steers at about half last November's price.

Large supplies will keep pressure on prices of all classes of cattle in the next several months. Even though fed cattle marketings will be smaller than in recent years, continued heavy culling of cows and other cattle will boost slaughter of these animals well above 1974. Fed cattle prices may average near or above the 1974 first half average but prices for feeder cattle and cows will be much lower.

### Slaughter Mix Changed in 1974

Commercial cattle slaughter through the first 9 months of 1974 totaled 26.7 million head, 8 percent more than a year earlier and about the same as during January-September 1972. Five percent fewer fed cattle slaughtered were more than offset by 10 percent more cows and 6 times as many steers and heifers marketed mostly off grass, other roughage, or limited grain feeding. In the fourth quarter, this situation continues with rising slaughter of cows and other cattle more than offsetting continuing decline in fed cattle marketings.

Fed steers and heifers are accounting for about 65 percent of total cattle slaughter this year compared with around 77 percent last year. Severe financial losses to the cattle feeding industry since the fall of 1973 have

Estimated commercial cattle slaughter, by class

Year and quarter	Steers and Heifers			Cows	Bulls and stags	Total
	Fed	Other	Total			
	1,000 head	1,000 head	1,000 head	1,000 head	1,000 head	1,000 head
1971: I .....	6,380	572	6,952	1,500	135	8,587
II .....	6,480	687	7,167	1,586	164	8,917
III .....	6,820	666	7,486	1,614	179	9,279
IV .....	6,380	592	6,972	1,675	155	8,802
Year .....	26,060	2,517	28,577	6,375	633	35,585
1972: I .....	6,630	402	7,032	1,518	148	8,698
II .....	6,930	452	7,382	1,474	166	9,022
III .....	7,140	223	7,363	1,472	180	9,015
IV .....	6,970	395	7,365	1,528	151	9,044
Year .....	27,670	1,472	29,142	5,992	645	35,779
1973: I .....	6,770	146	6,916	1,590	156	8,662
II .....	6,470	86	6,556	1,434	165	8,155
III .....	6,080	204	6,284	1,533	180	7,997
IV .....	6,570	437	7,007	1,691	175	8,873
Year .....	25,890	873	26,763	6,248	676	33,687
1974: I .....	6,160	492	6,652	1,689	162	8,503
II .....	6,450	794	7,244	1,390	179	8,813
III .....	5,680	1,518	7,198	1,916	244	9,358
IV .....	5,700	1,600	7,300	2,000	200	9,500
Year .....	23,990	4,404	28,394	6,995	785	36,174
1975 <sup>1</sup> I .....	5,300	1,800	7,100	1,900	200	9,200
II .....	5,500	1,800	7,300	1,720	180	9,200

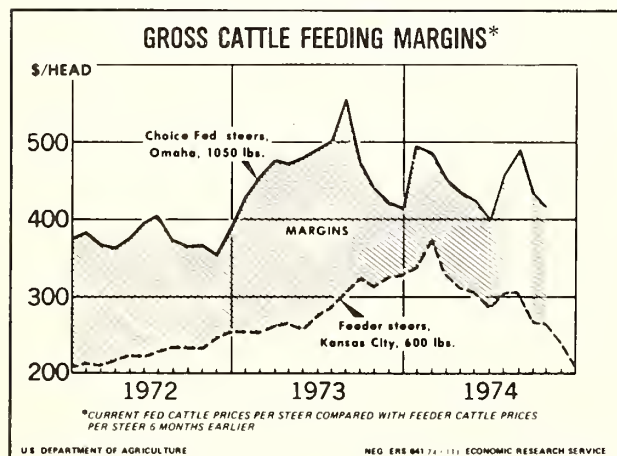
<sup>1</sup> Forecast.

resulted in a severe cutback in cattle feeding. Next year, the proportion of fed cattle in the slaughter mix may drop to around 60 percent of total slaughter. Although

Gross cattle feeding margins<sup>1</sup>

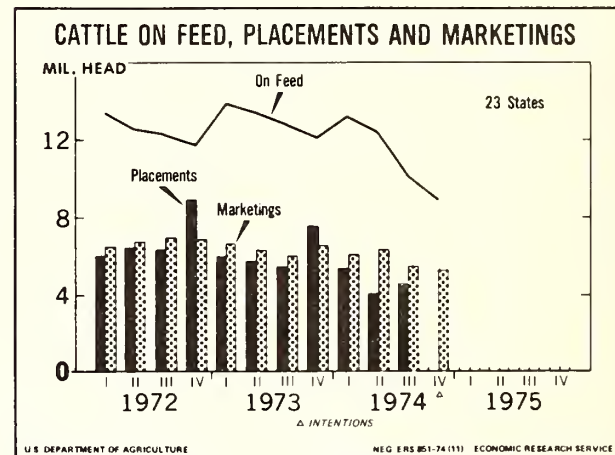
Year	Fed cattle <sup>2</sup>	Feeder cattle <sup>3</sup>	Gross margin
	Dollars per steer	Dollars per steer	Dollars per steer
1972			
January .....	374	206	168
February .....	381	211	170
March .....	369	210	159
April .....	362	214	148
May .....	375	221	154
June .....	398	223	175
July .....	403	228	175
August .....	375	233	142
September .....	364	232	132
October .....	367	231	136
November .....	353	243	110
December .....	387	252	135
1973			
January .....	427	252	175
February .....	457	252	205
March .....	479	260	219
April .....	473	265	208
May .....	480	259	221
June .....	491	275	216
July .....	500	284	216
August .....	556	306	250
September .....	474	324	150
October .....	440	311	129
November .....	421	327	94
December .....	413	329	84
1974			
January .....	495	339	156
February .....	487	374	113
March .....	450	330	120
April .....	436	311	125
May .....	425	306	119
June .....	399	286	113
July .....	459	303	156
August .....	490	305	185
September .....	434	269	165
October .....	416	265	151

<sup>1</sup> Current fed prices per steer compared with feeder cattle prices 6 months earlier. <sup>2</sup> Choice steers at Omaha, 1,050 lbs. <sup>3</sup> Choice steers at Kansas City, 600 lbs.



feeding practices are changing, and feeder cattle prices are sharply lower, high feed costs continue to restrict profitability in cattle feeding. While earlier in the year it appeared that the feeding industry would see a much improved profit situation in 1975, it now seems less certain unless feed grain costs this winter and next spring are lower than expected, or if fed cattle prices are higher than anticipated. Furthermore, the uncertainty in the fed cattle market, together with the alternative of selling corn on a high cash market, continues to discourage Corn Belt feeders from buying feeder cattle even though prices for them are half last year's level in many cases.

There were 24 percent fewer cattle on feed in 23 States on October 1 than a year earlier. According to the



23 States cattle on feed, placements and marketings

Year	On feed	Change pre-vious year	Place-ments	Change pre-vious year	Market-ings	Change pre-vious year
	1,000 head	Percent	1,000 head	Percent	1,000 head	Percent
1971						
I .....	12,209	-0.3	5,734	+12.0	6,231	+1.4
II .....	11,712	+0.8	5,455	+4.1	6,278	+0.9
III .....	10,889	+2.4	6,371	+3.7	6,594	+4.6
IV .....	10,666	+2.3	8,842	+10.6	6,178	-0.6
1972						
I .....	13,330	+9.2	5,933	+3.5	6,443	+3.4
II .....	12,820	+9.5	6,364	+16.7	6,727	+7.2
III .....	12,457	+14.4	6,224	-2.3	6,907	+4.7
IV .....	11,774	+10.4	8,862	+0.2	6,775	+9.7
1973						
I .....	13,861	+4.0	6,040	+1.8	6,585	+2.2
II .....	13,316	+3.9	5,696	-10.5	6,283	-6.6
III .....	12,729	+2.2	5,283	-15.1	5,958	-13.7
IV .....	12,054	+2.4	7,513	-15.2	6,478	-4.4
1974						
I .....	13,067	-5.7	5,292	-12.4	6,049	-8.1
II .....	12,310	-7.6	4,028	-29.3	6,291	+0.1
III .....	10,047	-21.1	4,624	-12.5	5,522	-7.3
IV .....	9,149	-24.0			<sup>1</sup> 5,294	-18.3

<sup>1</sup> Expected marketings.



Table 1.—Corn Belt Cattle Feeding

Selected expenses at current rates<sup>1</sup>

Purchased during Marketed during	Oct. 73 Apr.	Nov. May	Dec. June	Jan. 74 July	Feb. Aug.	Mar. Sept.	Apr. Oct.	May Nov.	June Dec.	July Jan. 75	Aug. Feb.	Sept. Mar.	Oct. Apr.
	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head
Expenses													
600 lb. feeder steer .....	311.16	306.12	286.26	303.48	304.80	268.86	264.90	240.84	210.60	221.28	220.20	182.94	185.64
Transportation to feedlot (400 miles) .....	4.80	4.80	4.80	4.80	4.80	4.80	5.04	5.04	5.04	5.04	5.04	5.04	5.28
Corn (45 bu.) .....	94.95	99.00	108.00	117.00	125.55	120.15	107.55	110.70	117.00	134.10	152.55	148.05	157.05
Silage (1.7 tons) .....	24.67	25.72	28.25	31.08	33.46	32.37	30.28	30.38	30.58	33.95	38.71	37.93	40.26
30% protein supplement (270 lb.) .....	23.22	23.22	24.44	24.84	24.17	23.22	23.09	21.74	20.93	21.60	26.60	24.84	26.73
Hay (400 lb.) .....	4.80	5.00	5.60	6.40	6.95	6.90	7.10	6.75	6.05	6.15	7.05	7.10	7.55
Labor (4 hours) .....	8.84	8.84	8.84	9.04	9.04	9.04	9.20	9.20	9.20	9.44	9.44	9.44	9.84
Management <sup>2</sup> .....	4.42	4.42	4.42	4.52	4.52	4.52	4.60	4.60	4.60	4.72	4.72	4.72	4.92
Vet medicine <sup>3</sup> .....	2.44	2.46	2.48	2.55	2.58	2.60	2.66	2.67	2.69	2.72	2.80	2.83	2.86
Interest on purchase (6 mo.) .....	14.34	14.11	13.20	14.42	14.48	12.77	13.91	12.64	11.06	11.57	11.56	9.60	9.75
Power, equip., fuel, shelter, depreciation <sup>4</sup> .....	11.27	11.35	11.49	11.79	11.95	12.03	12.32	12.36	12.45	12.56	12.93	13.11	13.22
Death loss (1% of purchase) .....	3.11	3.06	2.86	3.03	3.05	2.69	2.65	2.41	2.11	2.20	2.20	1.83	1.86
Transportation (100 miles) .....	2.10	2.10	2.10	2.10	2.10	2.10	2.21	2.21	2.21	2.21	2.21	2.21	2.31
Marketing expenses .....	3.25	3.25	3.25	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35	3.35
Miscellaneous & indirect costs <sup>5</sup> .....	4.87	4.91	4.97	5.10	5.17	5.20	5.33	5.35	5.38	5.43	5.59	5.67	5.72
Total .....	518.24	518.36	510.96	543.45	555.92	510.55	494.14	470.19	443.20	476.32	504.95	458.66	476.34
Selling price/cwt. required to cover feed and feeder costs (1050 lbs.) .....	43.70	43.72	43.10	45.98	47.14	43.00	41.23	39.09	36.68	39.72	42.39	38.18	39.74
Selling price/cwt. required to cover all costs (1050 lbs.) .....	49.36	49.37	48.66	51.76	52.94	48.62	47.06	44.78	42.21	45.36	48.09	43.69	45.37
Feed cost per 100 lb. gain .....	32.81	33.99	36.95	39.85	42.25	40.59	37.34	37.68	38.79	43.51	49.98	48.43	51.46
Choice steers, Omaha .....	41.18	40.04	37.33	43.98	47.23	41.41	39.75						
Net margin/cwt. .....	-8.18	-9.33	-11.33	-7.78	-5.71	-7.21	-7.31						
Prices													
Feeder steer choice (600-700 lbs., Kansas City/cwt.) .....	51.86	51.02	47.71	50.58	50.80	44.81	44.15	40.14	35.10	36.88	36.70	30.49	30.94
Corn/(bu.) <sup>6</sup> .....	2.11	2.20	2.40	2.60	2.79	2.67	2.39	2.46	2.60	2.98	3.39	3.29	3.49
Hay/ton <sup>7</sup> .....	24.00	25.00	28.00	32.00	34.75	34.50	35.50	33.75	30.25	30.75	35.25	35.50	37.75
Corn silage /ton <sup>8</sup> .....	14.51	15.13	16.62	18.28	19.68	19.04	17.81	17.87	17.99	19.97	22.77	22.31	23.68
30% Protein supplement/cwt. <sup>9</sup> .....	8.60	8.60	9.05	9.20	8.95	8.60	8.55	8.05	7.75	8.00	9.85	9.20	9.90
Farm Labor/hour <sup>10</sup> .....	2.21	2.21	2.21	2.26	2.26	2.26	2.30	2.30	2.30	2.36	2.36	2.36	2.46
Interest annual rate .....	9.22	9.22	9.22	9.50	9.50	9.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Transportation rate/cwt. 100 mile .....	.20	.20	.20	.20	.20	.20	.21	.21	.21	.21	.21	.21	.22
Marketing expenses <sup>11</sup> .....	3.25	3.25	3.25	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35	3.35
Index of prices paid by farmers 1910-14 100 .....	514	518	524	538	545	549	562	564	568	573	590	598	603

<sup>1</sup> Represents only what expenses would be if all selected items were paid for during the period indicated. The feed ration and expense items do not necessarily coincide with experience of individual feeders. For individual use, adjust expenses and prices

for management, production level and locality of operation. <sup>2</sup> Assumes one hour at twice the labor rate.

<sup>3</sup> Adjusted quarterly by the index of prices paid by farmers for commodities, services, interest, taxes and wage rates. <sup>4</sup> Average price received by farmers in Iowa

and Illinois. <sup>5</sup> Corn silage price derived from an equivalent price of 5 bushels corn and 330 lb. hay. <sup>6</sup> Average price paid by farmers in Iowa and Illinois. <sup>7</sup> Converted from cents/mile for a 44,000 pound haul. <sup>8</sup> Yardage plus commission fees at a Midwest terminal market.

Table 2.—Texas Panhandle Cattle Feeding

Selected expenses at current rates<sup>1</sup>

Purchased during Marketed during	Oct. 73 Apr. 74	Nov. May	Dec. June	Jan. 74 July	Feb. Aug.	Mar. Sept.	Apr. Oct.	May Nov.	June Dec.	July Jan. 75	Aug. Feb.	Sept. Mar.	Oct. Apr.
	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head
Expenses													
600 lb. feeder steer	260.82	258.72	257.52	281.58	260.28	235.26	240.60	205.80	168.36	189.24	174.00	150.72	151.80
Transportation to feedlot (150 mi.)	1.80	1.80	1.80	1.80	1.80	1.80	1.89	1.89	1.89	1.89	1.89	1.89	1.98
Commission	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Sorghum grain (2156 lb.)	74.81	78.69	83.87	89.47	99.82	98.31	85.38	81.07	79.77	89.47	108.45	113.62	125.48
Corn (18 bu.)	43.20	44.10	46.98	49.32	52.20	50.94	45.54	45.54	46.26	49.32	56.88	59.58	61.74
Urean (20 lb.)	.92	.92	.92	.92	.92	.92	.92	.92	1.94	1.94	1.94	2.30	2.30
Cottonseed hulls (352 lb.)	7.92	7.83	8.54	8.54	8.80	8.80	8.80	8.80	8.80	8.80	9.24	9.86	10.56
Alfalfa cubes (352 lb.)	20.24	22.66	23.76	24.86	25.30	23.54	23.54	25.08	22.88	24.20	25.74	27.06	27.06
Labor (2 hours)	3.54	3.54	3.54	3.72	3.72	3.72	3.80	3.80	3.80	3.90	3.90	3.90	3.94
Management <sup>2</sup>	3.54	3.54	3.54	3.72	3.72	3.72	3.80	3.80	3.80	3.90	3.90	3.90	3.94
Vet medicine <sup>3</sup>	2.44	2.46	2.48	2.55	2.58	2.60	2.66	2.67	2.69	2.72	2.80	2.83	2.86
Interest on purchase (6 mo.)	12.02	11.93	11.87	13.38	12.36	11.17	12.63	10.80	8.84	9.94	9.14	7.91	7.97
Power, equip., fuel, shelter, dep. <sup>3</sup>	11.27	11.35	11.49	11.79	11.95	12.03	12.32	12.36	12.45	12.56	12.93	13.11	13.22
Death Loss (1.1% of purchase)	2.87	2.85	2.83	3.10	2.86	2.59	2.65	2.26	1.85	2.08	1.91	1.66	1.67
Transport and Marketing expense <sup>4</sup>	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.
Miscellaneous & Indirect costs <sup>3</sup>	4.87	4.91	4.97	5.10	5.17	5.20	5.33	5.35	5.38	5.43	5.59	5.67	5.72
Total	453.26	458.30	467.11	502.85	494.48	463.60	452.86	414.16	371.71	408.39	421.31	407.01	423.24
Selling price required/cwt. to cover feed & feeder costs <sup>5</sup>	40.47	40.97	41.82	45.11	44.38	41.45	40.26	36.53	32.54	36.01	37.33	36.03	37.59
Selling price required/cwt. to cover all costs <sup>5</sup>	44.97	45.47	46.34	49.89	49.06	45.99	44.93	41.09	36.88	40.51	41.80	40.38	41.99
Feed cost/100 lb. gain	32.69	34.27	36.46	38.47	41.56	40.56	36.71	36.10	35.48	38.61	44.94	47.20	50.48
Good and choice slaughter steers, Texas/cwt.	41.30	39.96	36.40	43.78	45.60	39.53	38.84						
Net margin/cwt.	-3.67	-5.51	-9.94	-6.11	-3.46	-6.46	-6.09						
Prices													
Good feeder steer 600 lb. Amarillo/cwt.	43.47	43.12	42.92	46.93	43.38	39.21	40.10	34.30	28.06	31.54	29.00	25.12	25.30
Transportation rate/cwt. 100 mi. <sup>6</sup>	.20	.20	.20	.20	.20	.20	.21	.21	.21	.21	.21	.21	.22
Commission fee/cwt.	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50
Sorghum grain/cwt. <sup>7</sup>	3.47	3.65	3.89	4.15	4.63	4.56	3.96	3.76	3.70	4.15	5.03	5.27	5.82
Corn/bu.	2.40	2.45	2.61	2.74	2.90	2.83	2.53	2.53	2.57	2.74	3.16	3.31	3.43
Alfalfa cubes/ton	115.00	128.75	135.00	141.25	143.75	133.75	133.75	142.50	130.00	137.50	146.25	153.75	153.75
Cottonseed Hulls/ton	45.00	44.50	48.50	48.50	50.00	50.00	50.00	50.00	50.00	50.00	52.50	56.00	60.00
Urean/ton <sup>8</sup>	92.00	92.00	92.00	92.00	92.00	92.00	194.00	194.00	194.00	194.00	230.00	230.00	230.00
Farm labor <sup>8</sup>	1.77	1.77	1.77	1.86	1.86	1.86	1.90	1.90	1.90	1.95	1.95	1.95	1.97
Interest rate	9.22	9.22	9.22	9.50	9.50	9.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Index of prices paid by farmers (1910-14=100)	514	518	524	538	545	549	562	564	568	573	590	598	603

<sup>1</sup> Represents only what expenses would be if all selected items were paid for during the period indicated. The feed ration and expense items do not necessarily coincide with experience of individual feeders. For individual use, adjust expenses and prices for management, production level, and locality of operation. <sup>2</sup> Assumes one hour at twice the labor rate. <sup>3</sup> Adjusted quarterly by the index of prices paid by farmers for commodities, services, interest, taxes and wage rates. <sup>4</sup> Most cattle are sold F.O.B. the feedlot with 4% shrink. <sup>5</sup> Sale weight = 1008 lbs. (1050-4% shrink). <sup>6</sup> Converted from cents per mile for a 44,000 pound haul. <sup>7</sup> Average price received by farmers in Texas. <sup>8</sup> Average price paid by farmers in Texas.

Table 3.—California Cattle Feeding

Purchased during Marketed during	Selected expenses at current rates <sup>1</sup>												
	Oct. 73 July 74	Nov. Aug.	Dec. Sept.	Jan. 74 Oct.	Feb. Nov.	Mar. Dec.	Apr. Jan. 75	May Feb.	June Mar.	July Apr.	Aug. May	Sept. June	Oct. July
	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head
Expenses													
450 lb. Feeder steer	260.46	238.64	217.53	242.01	233.55	212.76	203.63	175.50	142.29	144.95	139.50	117.54	113.22
Transportation to Feedlot (1400 miles)	12.60	12.60	12.60	12.60	12.60	12.60	13.23	13.23	13.23	13.23	13.23	13.23	13.86
Commission	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Barley (70 bu.)	184.80	181.30	186.90	192.50	205.10	207.20	174.30	162.40	165.20	175.70	212.80	219.10	228.90
41% Cottonseed Meal (59 lb.)	6.20	5.90	6.20	6.49	6.49	5.90	5.90	5.55	5.37	5.13	5.66	5.90	5.43
Urea (28 lb.)	1.47	1.47	1.47	1.47	1.47	1.47	2.66	2.66	2.66	2.66	2.66	3.01	3.01
Alfalfa hay (862 lb.)	26.72	29.09	29.74	30.60	31.68	31.25	31.03	28.88	28.02	27.15	27.37	27.15	27.37
Labor (2 hours)	4.60	4.60	4.60	4.72	4.72	4.72	4.82	4.82	4.82	4.98	4.98	4.98	5.08
Management <sup>2</sup>	4.60	4.60	4.60	4.72	4.72	4.72	4.82	4.82	4.82	4.98	4.98	4.98	5.08
Vet Medicine <sup>3</sup>	2.44	2.46	2.48	2.55	2.58	2.60	2.66	2.67	2.69	2.72	2.80	2.83	2.86
Interest on purchase (9 months)	18.02	16.51	15.05	17.26	16.65	15.17	16.05	13.83	11.21	11.41	10.99	9.26	8.92
Power, equip., fuel, shelter, depreciation <sup>3</sup>	11.27	11.35	11.49	11.79	11.95	12.03	12.32	12.36	12.45	12.56	12.93	13.11	13.22
Death Loss (2% of purchase)	5.21	4.77	4.35	4.84	4.67	4.26	4.07	3.51	2.85	2.90	2.79	2.35	2.26
Transport & marketing expenses <sup>4</sup>	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.
Miscellaneous and indirect costs <sup>3</sup>	4.87	4.91	4.97	5.10	5.17	5.20	5.33	5.35	5.38	5.43	5.59	5.67	5.72
Total	545.51	520.45	504.23	538.90	543.60	522.13	483.07	437.83	403.24	416.05	448.53	431.36	437.18
Selling price required/cwt. to cover feed and feeder costs <sup>6</sup>	48.74	46.38	44.90	48.08	48.61	46.60	42.43	38.11	34.91	36.14	39.43	37.88	38.41
Selling price required/cwt. to cover all costs <sup>7</sup>	55.44	52.89	51.24	54.77	55.24	53.06	49.09	44.49	40.98	42.28	45.58	43.84	44.43
Feed cost/100 lb. gain	38.12	37.87	39.01	40.18	42.56	42.75	37.20	34.69	35.00	36.63	43.22	44.38	46.04
Choice slaughter steers-California/cwt.	45.92	48.38	41.00	39.95									
Net margin/cwt.	-9.52	-4.51	-10.24	-14.82									
Prices													
Feeder steer (Good, 400-500 lb. Fort Worth/cwt.)	57.88	53.03	48.34	53.78	51.90	47.28	45.25	39.00	31.62	32.21	31.00	26.12	25.16
Transportation rate/cwt. (100 miles) <sup>6</sup>	.20	.20	.20	.20	.20	.20	.21	.21	.21	.21	.21	.21	.22
Commission fee/cwt.	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50
Barley/bushel <sup>7</sup>	2.64	2.59	2.67	2.75	2.93	2.96	2.49	2.32	2.36	2.51	3.04	3.13	3.27
Alfalfa hay/ton <sup>7</sup>	62.00	67.50	69.00	71.00	73.50	72.50	72.00	67.00	65.00	63.00	63.50	63.00	63.50
41% Cottonseed meal/cwt. <sup>8</sup>	10.50	10.00	10.50	11.00	11.00	10.00	10.00	9.40	9.10	8.70	9.60	10.00	9.20
Urea/ton <sup>8</sup>	105.00	105.00	105.00	105.00	105.00	105.00	190.00	190.00	190.00	190.00	190.00	215.00	215.00
farm labor/hour <sup>8</sup>	2.30	2.30	2.30	2.36	2.36	2.36	2.41	2.41	2.41	2.49	2.49	2.49	2.54
Interest rate	9.22	9.22	9.22	9.50	9.50	9.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Index of prices paid by farmers (1910-14 = 100)	514	518	524	538	545	549	562	564	568	573	590	598	603

<sup>1</sup> Represents only what expenses would be if all selected items were paid for during the period indicated. The feed ration and expense items do not necessarily coincide with experience of individual feeders. For individual use, adjust expenses and prices

for management, production level, and locality of operation. <sup>2</sup> Assumes one hour at twice the labor rate. <sup>3</sup> Adjusted quarterly by the index of prices paid by farmers for commodities, services, interest, taxes, and wage rates. <sup>4</sup> Most cattle are sold F.O.B. the feedlot

with a 4% shrink. <sup>5</sup> Sale weight = 984 lbs. (1025 less 4% shrink). <sup>6</sup> Converted from cents per mile for a 44,000 pound haul. <sup>7</sup> Average price received by farmers in California. <sup>8</sup> Average price paid by farmers in California.



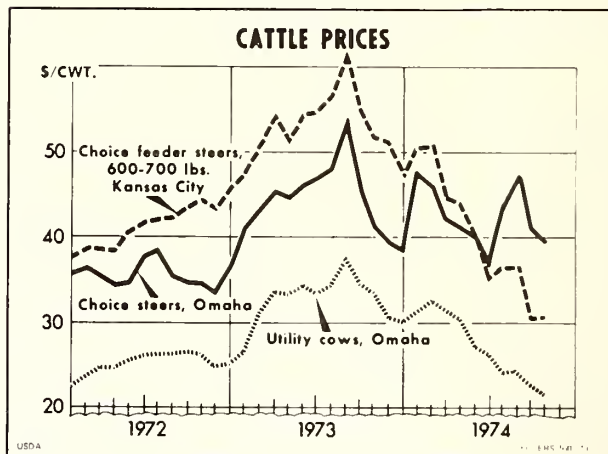
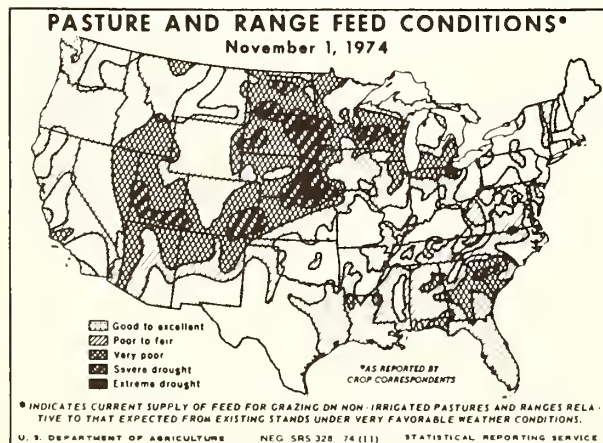
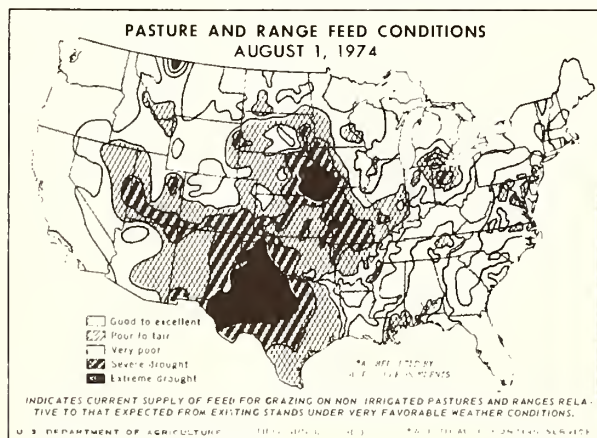
October Cattle on Feed Report, cattle feeders plan to ship nearly a fifth fewer cattle in the fourth quarter than last year. This would be 4 percent less than in the summer.

Most of the reduction in feeding is occurring in the major feeding States. For example, in November, Texas feeders reported 34 percent fewer cattle on feed than a year ago; Nebraska 27 percent less; Iowa and Colorado, 25 percent, and California 26 percent. The fact that the decline in feeding is generally widespread suggests that all types of feeders have been severely affected by the cost-price squeeze that has been bleeding the industry for the past year.

Although the financial condition of the feeding industry is improving, drought and early frost-induced damage to the year's corn crop has further reduced feed grain supplies with a resulting advance in feed grain prices. Thus, higher feed costs are offsetting much of the reduced cost of feeder animals and are dimming prospects of good returns. However, by changing feeding practices, such as placing heavier and more mature animals on feed and feeding them just into the desired grade, risks can be lessened and the amount of feed required reduced. Many feeders have been following this practice, as evidenced by the change in price relationships between feeder calves and yearlings. A year ago, there was a \$12 spread between 700-800 pound

steers at Kansas City and 300-400 pound steers. Recently, all weights have been selling at about the same price, with some weights selling at half their year-earlier value. A relatively small differential between calves and heavier cattle will likely continue as long as feed prices remain high. This will likely continue well into 1975 even if prospects for 1975 crops are good.

Fed cattle marketings for all of 1974 will be down around 6-8 percent from the 26 million head marketed last year. This is the smallest number of fed cattle slaughtered since 1968. During the 1960's and through 1972, fed cattle marketings increased by a 6 percent average annual rate. However, despite a continuing expansion of the cattle inventory, the trend in feeding has been downward the past couple of years, and will continue in that direction in 1975.



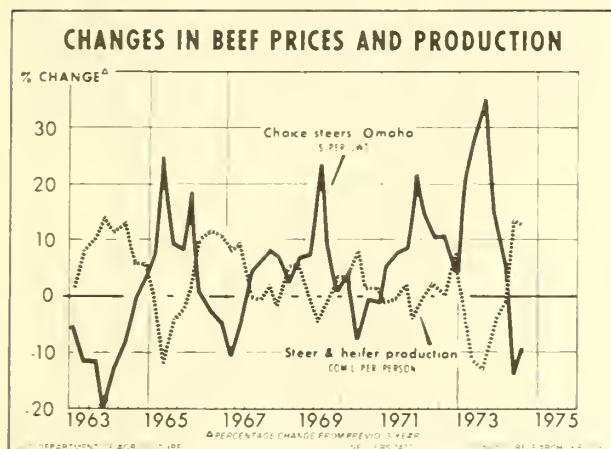
#### Fed Beef Output to Decline again in 1975

High feed prices will discourage any increase in cattle feeding over the next several months if feed grain prices and fed cattle prices are near expected levels. Fed cattle marketings next year are expected to drop below this year's lower shipments. The reduction in fed cattle shipments in the first half of 1975 likely will more than offset any increase that could occur in the second half.

Placements of feeder cattle last summer were down 12 percent from 1973 and 26 percent from 1972. Placements have continued lower this fall, as \$3.50 corn, \$150 meal, and \$40 fed cattle continue to discourage many commercial feeders and encourage farmer-feeders to sell their corn on the cash market.

With supplies of feeder cattle larger than last year and feedlot demand down sharply, slaughterers will continue to buy many of these cattle as has been the case for the past several months. A large increase in the slaughter of steers and heifers off grass or other roughage will more than offset a decline in the number of fed cattle slaughtered next year, and there will be a net increase in the total number of steers and heifers marketed for slaughter.

The number of fed cattle marketed in the second half of 1975 will depend largely on placements in the spring and summer. Placements at that time could be as large or larger than the very small number placed this past spring and summer only if there is significant weakness in the feed grain market. With low feeder cattle prices, a significant decline in feed prices could result in a shift back to more cattle feeding.



### Fed Cattle Prices to Rise

Choice steers in early November were selling near \$38 per 100 pounds, down \$10 from mid-August highs and around \$2 under a year ago. Prices are expected to advance this winter as fed marketings run below fall and year-earlier levels. Also, slaughter of other classes of cattle will decline seasonally from high fall levels into winter and spring and competing supplies of pork and poultry will be down sharply from last year. A severe winter could change the situation by forcing more cattle on the slaughter market, and lowering prices of all classes of slaughter animals and meat.

Choice steer prices per 100 pounds, Omaha

Month	1970	1971	1972	1973	1974
	Dol.	Dol.	Dol.	Dol.	Dol.
January . . . .	28.23	29.11	35.74	40.62	47.68
February . . . .	29.30	32.23	36.19	43.35	46.12
March . . . . .	30.97	31.81	35.13	45.55	42.36
April . . . . .	30.64	32.44	34.53	44.97	41.18
May . . . . .	29.52	32.88	35.66	46.05	40.04
June . . . . .	30.29	32.39	37.88	46.98	37.33
July . . . . .	31.12	32.44	38.21	48.05	43.98
August . . . . .	30.14	33.24	35.66	53.61	47.23
September . . .	29.32	32.62	34.85	45.45	41.41
October . . . .	28.67	32.34	34.85	41.79	39.75
November . . .	27.21	33.58	33.56	39.88	
December . . .	26.71	34.40	36.79	38.90	
Average . . . .	29.34	32.42	35.83	43.89	

### Feeder Market Under Pressure

Demand for feeder cattle declined through the first half of 1974 because of severe losses to cattle feeders marketing fed cattle during that period. Prices for Choice 600-700 pound steers at Kansas City dropped from around \$52 per 100 pounds in January to about \$34 by the end of June. Prices have fluctuated some since mid-year but early November prices were still near \$30. Some markets are running well under \$30. The decline in feeder prices generally was more severe than the drop in the fed cattle market. The \$15 drop in the Kansas City feeder market compares with a \$10 January-June decline in fed cattle prices at Omaha. Other markets showed much sharper declines in the feeder market.

At midyear there were an estimated 16 million steers and heifers on farms and ranches (not including cow replacements) weighing over 500 pounds and not in the feedlot—a 21 percent increase from year earlier. There were over 41 million calves weighing less than 500 pounds and not on feed July 1, 1974—up 10 percent from a year earlier. Consequently, a large supply of animals remain in producers' hands, and while pasture conditions this fall seem generally favorable, hay supplies are down 10 percent from last year. Thus, conditions suggest that downward pressure will continue on the feeder market in the months ahead. This pressure could become more severe in the event of harsh weather conditions with heavy snows this winter.

Cattle on feed, October 1, 23 States

Weight group	1971	1972	1973	1974
<b>Steers:</b>				
-500 lb. . . . .	467	617	630	234
500-699 lb. . . . .	1,533	1,800	1,608	1,069
700-899 lb. . . . .	2,820	2,781	2,735	2,268
900-1099 lb. . . . .	2,381	2,707	3,046	2,504
1100 + lb. . . . .	476	547	735	625
Total . . . . .	7,677	8,452	8,754	6,700
<b>Heifers:</b>				
-500 lb. . . . .	382	376	366	172
500-699 lb. . . . .	1,049	1,032	888	674
700-899 lb. . . . .	1,145	1,292	1,379	1,078
900-1099 lb. . . . .	380	582	614	470
Total . . . . .	2,956	3,282	3,247	2,394

The price spread between various weights of feeder steers was record wide last fall with 300-500 pound calves selling \$15 higher than yearlings. This fall, the spread has all but disappeared and calves are selling at about the same price per 100 pounds as 700-800 pound steers. This means demand for light cattle is extremely weak and accounts for the very sharp increase in calf slaughter. A year ago, Choice grade, 250-500 pound slaughter calves were selling around \$50 to \$60 per 100 pounds compared with over \$60 for 300-500 pound



feeder calves. Recently, both classes were selling near \$30 in most markets.

Feeder cattle prices per 100 pounds, Kansas City

Month	Choice feeder steers 600-700 lbs. <sup>1</sup>			Choice feeder steer calves <sup>2</sup>		
	1972	1973	1974	1972	1973	1974
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Jan. ....	37.92	47.33	50.58	41.50	51.95	54.66
Feb. ....	38.86	50.98	50.80	43.94	56.10	54.45
Mar. ....	38.64	54.01	44.81	44.69	62.72	54.02
Apr. ....	38.54	51.82	44.15	45.16	60.42	50.30
May ....	40.43	54.55	40.14	46.67	62.59	45.48
June ....	41.94	54.85	35.10	47.32	62.42	39.96
July ....	42.02	56.49	36.88	47.10	64.40	37.72
Aug. ....	42.07	62.40	36.70	48.32	72.52	36.84
Sept. ....	43.29	55.06	30.49	48.70	62.80	32.40
Oct. ....	44.15	51.86	30.94	49.81	59.46	30.47
Nov. ....	43.17	51.02		48.37	56.42	
Dec. ....	45.77	47.71		49.90	52.59	
Av. ....	41.40	53.17		46.79	60.36	

<sup>1</sup> Prior to 1972 550-750 lbs. <sup>2</sup> 400-500 lbs., prior to 1972 300-500 lbs.

### Calf Slaughter Up Sharply

Calf slaughter increased as calf prices dropped through the first half of the year. For example, first quarter calf slaughter was down 11 percent from last year, while second quarter slaughter was up 19 per cent and summer slaughter was 60 percent more than July-September 1973. Fall slaughter will probably be up at least as much as in the summer.

A continued high rate of calf slaughter will limit the increase in the supply of feeder animals and reduce future potential beef output. It will also ease the price pressure in the slaughter market in the longer run. Such adjustments must work their way back through the system, just as the financial problems of the feeding industry in months past have now been largely passed back to the cow-calf producer. Before substantial price increases can be expected in the feeder market, some profits must return to cattle feeding. This will not happen to a significant degree until feed grain prices come down or fed cattle prices go up. But feed grain prices likely will not adjust to lower levels until the 1975 crops are near harvest and only if the crops are large or world demand for grain falters. So, if the feeder market follows this general course, little real price improvement seems likely before 1976, but a large calf slaughter in 1975 would help to reduce the time required for such adjustments to take place.

### Herd Buildup Continues

If cattle and calf slaughter in 1974 totals about 7 percent more than in 1973, the inventory gain this year will be about 6 million head. Thus, cattle supplies are adequate to provide a further substantial rise in slaughter

in 1975. If 1975 slaughter is up in the neighborhood of 8-10 percent, the increase in the inventory next year would be less than this year, perhaps 3-4 million head. Cattle and calf slaughter in 1975 would have to be up near 20 percent from 1974 in order to stabilize the inventory by January 1, 1976. This level of slaughter seems unlikely unless an unusually severe winter is followed by a severe drought. With the record large numbers of cattle currently on hand, the industry is extremely vulnerable to weather conditions. However, if pasture and roughage supplies are adequate, slaughter rates will probably rise moderately in 1975 and 1976, then begin to stabilize at the higher level in 1977. Eventually, feeder cattle prices will again more directly reflect the American consumers' demand for beef.

### Cow Slaughter Up

Estimated commercial cow slaughter totaled 5 million head during the first 9 months of 1974, up 10 percent from a year ago and the largest for that period since 1969. The increase has been largely due to dry pastures last summer, high feed prices, short winter feed supplies, and the sharp decline in calf prices and resulting low returns to cattlemen. Also, the average age of cows on farms had been increasing over the past several years of rapid herd buildup. The favorable feeder cattle prices of recent years have encouraged cattlemen to carry many cows that would normally have been culled.

Cow slaughter is expected to continue large this fall and in 1975. In recent years cow slaughter has accounted for about 18 percent of total cattle slaughter. This year it will be about 19 percent and next year in excess of 20 percent. This would be a typical pattern of changing slaughter rates when inventory adjustments begin to take place following a large buildup in cattle numbers and a severe drop in feeder calf prices.

Cow prices this year have been running well below the record levels of a year ago. Utility grade cows at Omaha peaked in August last year at \$39. This year, cow prices trended downward from the mid-\$30's in February, to under \$20 in October, about \$15 below October 1973.

Utility cow prices per 100 pounds, Omaha

Month	1970	1971	1972	1973	1974
	Dollars	Dollars	Dollars	Dollars	Dollars
January ....	20.93	19.98	22.61	26.67	31.45
February ....	22.18	20.98	23.80	31.43	32.65
March ....	23.24	22.03	24.73	33.90	31.76
April ....	23.23	21.48	24.70	33.59	30.49
May ....	22.64	22.30	25.51	34.26	27.67
June ....	22.58	22.03	26.00	33.09	26.39
July ....	20.85	21.68	26.22	34.21	24.22
August ....	20.48	21.72	26.18	37.56	24.54
September ...	21.13	21.84	26.57	34.58	22.56
October ....	20.84	22.30	26.19	33.68	19.68
November ...	19.04	21.45	24.98	30.71	
December ...	18.77	21.64	25.02	30.10	
Average ...	21.32	21.62	25.21	32.82	



Prices will probably rise seasonally next winter and spring if slaughter rates drop as they normally do.

## HOGS

Commercial hog slaughter this year will total about 82 million head. This is 7 percent more than last year but 3 percent less than in 1972. In the first half of 1975, hog slaughter will drop sharply below the 1974 level because a smaller 1974 feed grain output and the sharply higher prices have resulted in a cutback in the 1974 fall pig crop.

Barrows and gilts at 7 markets this year will average about \$35.50, \$5 below 1973. Next year, with smaller supplies of pork and poultry, hog prices are expected to rise sharply and will substantially exceed the January-June 1974 average.

Hog prices per 100 pounds, 7 markets<sup>1</sup>

Month	Barrows and gilts			Sows		
	1972	1973	1974	1972	1973	1974
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Jan. ....	24.84	32.54	40.59	20.41	26.39	33.93
Feb. ....	25.61	36.23	39.73	22.90	31.22	34.21
Mar. ....	23.56	38.13	34.88	21.43	34.47	31.42
Apr. ....	22.89	35.56	30.52	20.89	32.33	26.60
May ....	25.32	36.35	26.09	22.12	32.46	21.52
June ....	26.78	38.55	27.40	22.43	33.87	21.37
July ....	28.57	46.64	36.31	23.59	40.56	28.12
Aug. ....	28.86	56.68	37.56	25.22	50.62	29.66
Sept. ....	29.10	43.79	35.79	25.92	40.34	29.04
Oct. ....	28.09	42.12	38.86	25.05	37.66	33.39
Nov. ....	27.79	40.97		23.04	36.14	
Dec. ....	30.78	39.79		24.26	32.53	
Av. ....	26.67	40.27		23.26	35.94	

<sup>1</sup> Average for all weights at Midwest markets.

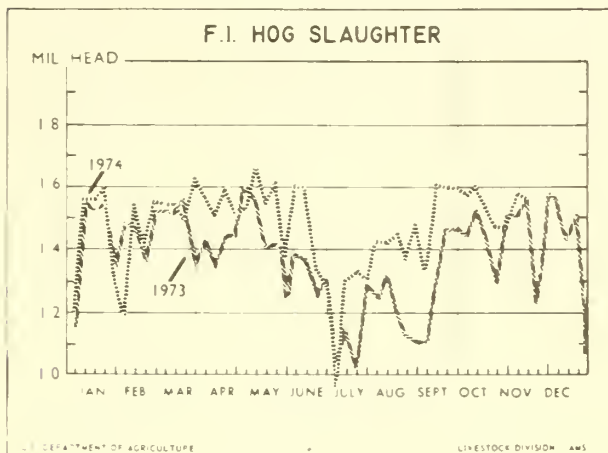
### Fall Slaughter Up

Hog producers are reacting to short supplies and high prices of feed grains this year by cutting back breeding stock numbers and planning fewer farrowings.

The 10 Corn Belt States account for nearly 75 percent of the total U.S. hog inventory. On September 1 these States reported about 18.5 million market hogs on farms in weight groups (60-180 pounds) that are the supply for October-December hog slaughter. This was about the same number as in the past 2 years. Hog slaughter patterns this fall are following the more normal 1972 patterns as they did earlier this year and October-December commercial hog slaughter will likely total about 21½ million head, nearly the same as 1972 but about 6 percent larger than October-December 1973. Fall slaughter this year will probably be about 10 percent above summer slaughter.

Hog prices have been roughly steady since midyear, running mostly between \$35 and \$38 per 100 pounds at 7 markets. There has been little downward seasonal movement despite a strong seasonal rise in hog slaughter

this fall, and a similar increase in beef output at the same time. Federally inspected slaughter rates for hogs rose from about 1.3 million head a week in July to 1.6 million head in October.

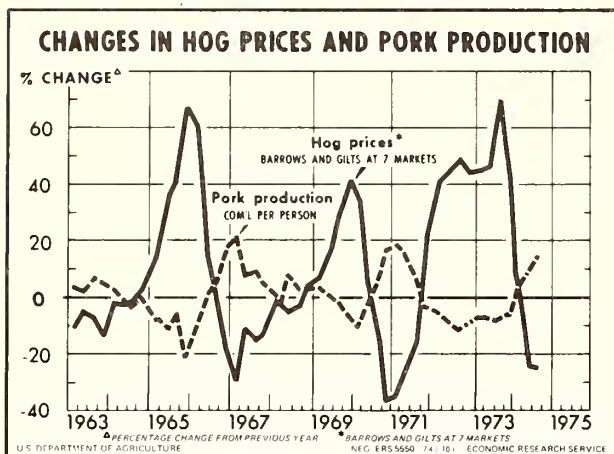


### First Half 1975 Slaughter to Drop

In June, with expectations for a sizeable 1974 corn crop, hog producers planned only a 2 percent reduction in the June-November 1974 pig crop. However, as the summer wore on and dry weather conditions reduced corn yield expectations, farmers changed their earlier plans and began to sell off sows and gilts. Consequently, by early September, a planned cutback of 7 percent in June-November sow farrowings was reported. Then, frost damage in late September and early October further damaged the corn crop in some areas, and the November crop report suggests a 1974 corn harvest in the neighborhood of 4.6 billion bushels, in contrast to a projected crop of 6.5 billion bushels last June. In September and October, sow slaughter was substantially larger than it was last fall. Federally inspected sow slaughter in September increased almost 80 percent from a year earlier. Further but smaller increases occurred during October. Thus, the fall pig crop probably will be even smaller than the planned 7 percent reduction suggested in the September report.

Hog slaughter supplies this winter will come largely from the 1974 June-August pig crop. These are mostly the market hogs on farms September 1 weighing less than 60 pounds. The number of market hogs on hand September 1 in this weight group was down 7 percent from 1973 and 6 percent from 1972. Thus, reductions in commercial hog slaughter during January-March of at least 7 percent from a year earlier appear likely. Slaughter could be down 10-15 percent from October-December. Prices will likely strengthen, moving from the upper \$30's this fall to the low \$40's this winter. High feed and corn prices will mean lighter average slaughter weights, reducing commercial pork production more than reduced hog slaughter would indicate.

Even further cutbacks in hog slaughter are likely for the second quarter next year. April-June slaughter will be largely provided by the September-November pig crop. Intentions for farrowings during September-November suggest a 10 percent cut. Last June, farmers had planned only a 2 percent cut in farrowings during this period. The more recent intentions appear more realistic, considering the 10 percent reduction in breeding stock that had already taken place prior to September 1.



On balance, the September-November pig crop may be reduced more than the 10 percent that was planned on September 1, reducing hog slaughter next spring more than 10 percent. Pork production would be down more than slaughter. Unlike 1974, hog slaughter usually declines seasonally from the first to second quarter and will likely do so again in 1975. If it does decline further next spring, hog prices will continue to rise seasonally.

A strengthening cattle market and reduced broiler output could further fuel the rise in hog prices. First half 1975 commercial hog slaughter could be the smallest since 1966.

The momentum of the reduction in the 1974 fall pig crop will likely continue into 1975 with a smaller 1975 spring pig crop. This would extend the lower level of hog slaughter and pork production through the second half of 1975.

#### Prices Up

With sharply reduced slaughter supplies in 1975, hog prices will be higher than in 1974. Smaller broiler output will also tend to push hog prices higher while larger beef output will tend to pull it the other way. Hog prices are expected to rise through the first half in response to a decline in hog slaughter from fall and year-earlier levels. Some upward trend likely will continue into the summer with summer hog prices perhaps again running above fed cattle prices. Prices may stabilize or decline seasonally into the fall.

#### Hog-Corn Price Ratio Lowest in 20 years

Even though hog prices have been running near record levels, record high corn prices have pushed the hog-corn price ratio to the lowest point since 1952. At that time \$17 hogs and \$1.70 corn resulted in a 10 to 1 ratio and in recent months \$35 hogs and \$3.50 corn had resulted in a similar level with the same reaction from producers. The 1953 pig crop was cut back about 12 percent from the 1952 crop. Similar reductions in the pig crop next year seem likely.

Record corn prices, brought on by the smallest feed grain crop since 1970 together with strong demand, resulted in a sharp increase in sow slaughter in recent months. Sow slaughter since midyear has been running close to 10 percent of total slaughter and the largest for over a decade.

Most of the increase in sow slaughter has developed since the impact of the summer drought on the corn crop was reported. Freeze damage, and further decline in the corn crop estimate reported in the November crop report may result in even further reductions in next year's pigs crops than what now seems likely.

Hog-corn price ratio, Omaha basis

Month	1971	1972	1973	1974
January .....	11.0	19.7	21.5	14.8
February .....	13.2	20.6	23.3	13.4
March .....	11.6	19.0	25.4	12.5
April .....	11.3	18.2	23.4	12.1
May .....	11.8	19.7	19.5	10.2
June .....	12.2	21.5	16.9	10.0
July .....	13.9	22.8	19.9	11.2
August .....	15.1	23.5	20.8	10.5
September .....	16.3	22.6	18.4	10.3
October .....	17.2	21.8	17.8	10.6
November .....	16.7	20.6	16.9	
December .....	16.6	20.5	15.7	
Average .....	13.6	20.6	19.3	

#### Feeder Pig Market Down

With the record high corn market this summer and fall, feeder pig prices have declined sharply from winter and spring and year-earlier levels. During the winter and early spring, 40-60 pound feeder pigs at Southern Missouri auctions were bringing around \$35 per head, but after midyear declined to around \$20. In late September the market began to strengthen and by early November they were bringing \$25 per head.

A persistent higher-than-expected slaughter hog market this fall has perhaps boosted demand for feeder pigs despite record corn prices. Also, the supply of feeder pigs is down sharply from a year ago. However, the level of corn prices will tend to limit further advances in the feeder pig market this winter, but sharp reductions in farrowings will mean a limited supply of feeder pigs in early 1975. If the slaughter hog market advances in the winter as expected, and corn prices do

Table 4.- Corn Belt Hog Feeding<sup>1</sup>Selected costs at current rates<sup>2</sup>

Purchased during Marketed during	Oct. Feb.	Nov. Mar.	Dec. Apr.	Jan. /4 May	Feb. June	Mar. July	Apr. Aug.	May Sept.	June Oct.	July Nov.	Aug. Dec.	Sept. Jan. 75	Oct. Feb.
	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head
<b>Expenses</b>													
40 lb. feeder pig .....	38.25	37.10	32.33	34.70	33.25	32.50	32.19	22.10	17.31	21.50	18.90	18.75	24.10
Corn (11 bu.) .....	23.21	24.20	26.40	28.60	30.69	29.37	26.29	27.06	28.60	32.78	37.29	36.19	38.39
Protein supplement (130 lb.) .....	16.12	14.89	16.58	16.64	15.60	14.43	13.52	12.42	11.96	12.48	15.80	13.98	15.60
Labor & management (1.3 hrs.) .....	5.75	5.75	5.75	5.88	5.88	5.88	5.98	5.98	5.98	6.14	6.14	6.14	6.38
Vet medicine <sup>3</sup> .....	1.22	1.23	1.24	1.28	1.29	1.30	1.33	1.34	1.34	1.36	1.40	1.42	1.43
Interest on purchase (4 mo.) .....	1.18	1.14	.99	1.10	1.05	1.03	1.13	.77	.61	.75	.66	.66	.84
Power, equip., fuel, shelter, depreciation <sup>3</sup> .....	2.96	2.98	3.02	3.10	3.14	3.16	3.24	3.25	3.27	3.30	3.40	3.44	3.47
Death loss (4% of purchase) .....	1.53	1.48	1.29	1.39	1.33	1.30	1.29	.88	.69	.86	.76	.75	.96
Transportation (100 miles) .....	.44	.44	.44	.44	.44	.44	.46	.46	.46	.46	.46	.46	.48
Marketing expenses .....	1.08	1.08	1.08	1.10	1.10	1.10	1.10	1.10	1.10	1.12	1.12	1.12	1.12
Miscellaneous & indirect costs <sup>3</sup> .....	.30	.31	.31	.32	.32	.33	.33	.33	.33	.34	.35	.35	.36
<b>Total</b> .....	92.04	90.60	89.43	94.55	94.09	90.84	86.86	75.69	71.65	81.09	86.28	83.26	93.13
<b>Selling price/cwt. required to cover feed and feeder costs (220 lbs.)</b> .....													
<b>Selling price/cwt. required to cover all costs (220 lbs.)</b> .....													
Feed cost per 100 lb. gain .....	41.84	41.18	40.65	42.98	42.77	41.29	39.48	34.40	32.57	36.86	39.22	37.85	42.33
Barrows and gilts 7 markets/cwt. ....	21.85	21.72	23.88	25.13	25.72	24.33	22.12	21.93	22.53	25.14	29.49	27.87	29.99
Net margin/cwt. ....	39.73	34.88	30.52	26.09	27.40	36.31	37.56	35.79	38.86				
	-2.11	-6.30	-10.13	-16.89	-15.37	-4.98	-1.92	+1.39	+6.29				
<b>Prices</b>													
40 lb. feeder pig (So. Missouri) .....	38.25	37.10	32.33	34.70	33.25	32.50	32.19	22.10	17.31	21.50	18.90	18.75	24.10
Corn <sup>4</sup> (bu.) .....	2.11	2.20	2.40	2.60	2.79	2.67	2.39	2.46	2.60	2.98	3.39	3.29	3.49
29% protein supplement <sup>5</sup> /cwt. ....	12.40	11.45	12.75	12.80	12.00	11.10	10.40	9.55	9.20	9.60	12.15	10.75	12.00
Labor and management <sup>6</sup> /hr. ....	4.42	4.42	4.42	4.52	4.52	4.52	4.60	4.60	4.60	4.72	4.72	4.72	4.91
Interest rate (annual) .....	9.22	9.22	9.22	9.50	9.50	9.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Transportation rate (/cwt. 100 miles) .....	.20	.20	.20	.20	.20	.20	.21	.21	.21	.21	.21	.21	.22
Marketing expenses <sup>8</sup> .....	1.08	1.08	1.08	1.10	1.10	1.10	1.10	1.10	1.10	1.12	1.12	1.12	1.12
Index of prices paid by farmers (1910-14 = 100) .....	514	518	524	538	545	549	562	564	568	573	590	598	603

<sup>1</sup> Although a majority of hog feeding operations in the Corn Belt are from farrow to finish, relative fattening expenses will be similar. <sup>2</sup> Represents only what expenses would be if all selected items were paid for during the period indicated. The feed rations and expense items do not necessarily coincide with the

experience of individual feeders. For individual use, adjust expenses and prices for management, production level, and locality of operation. <sup>3</sup> Adjusted quarterly by the index of prices paid by farmers for commodities, services, interest, taxes and wage rates,

<sup>4</sup> Average price received by farmers in Iowa and Illinois. <sup>5</sup> Average prices paid by farmers in Iowa and Illinois. <sup>6</sup> Assumes an owner-operator receiving twice the farm labor rate. <sup>7</sup> Converted to cents/cwt. from cents/mile for a 44,000 pound haul. <sup>8</sup> Yardage plus commission fees at a midwest terminal market.



not rise much above recent levels, then some further advance in the feeder pig market is likely in 1975.

Unusually early frost in September and October through much of the Corn Belt helped boost the feeder

pig market some this fall. The early frosts mean larger supplies of low quality corn suitable only for feeding. Thus, the stronger feeder market could be reflecting the result of some farmers seeking an outlet for this low quality feed.

Gross hog feeding margins<sup>1</sup>

Year	Hogs 7 markets	Feeder pigs So. Missouri	Margins
	\$1 per head	\$1 per head	\$1 per head
1972			
January .....	54.65	14.34	40.31
February .....	56.34	16.94	39.40
March .....	51.83	16.62	35.21
April .....	50.36	18.33	32.03
May .....	55.70	24.69	31.01
June .....	58.83	26.25	32.58
July .....	62.85	26.94	35.91
August .....	63.49	27.63	35.86
September .....	64.02	26.63	37.39
October .....	61.80	24.56	37.24
November .....	61.14	26.50	34.64
December .....	67.72	26.00	41.72
1973			
January .....	71.59	27.85	43.74
February .....	79.71	28.63	51.08
March .....	83.89	26.50	57.39
April .....	78.23	25.56	52.67
May .....	79.97	26.38	53.59
June .....	84.81	33.60	51.21
July .....	102.61	38.69	63.92
August .....	124.70	34.97	89.73
September .....	96.34	34.81	61.53
October .....	92.66	31.90	60.76
November .....	90.13	40.81	49.32
December .....	87.54	45.50	42.04
1974			
January .....	89.30	36.75	52.55
February .....	87.41	38.25	49.16
March .....	76.74	37.10	39.64
April .....	67.14	32.33	34.81
May .....	57.40	34.70	22.70
June .....	60.28	33.25	27.03
July .....	79.88	32.50	47.38
August .....	82.63	32.18	50.45
September .....	78.74	22.10	56.64
October .....	85.49	24.10	61.39

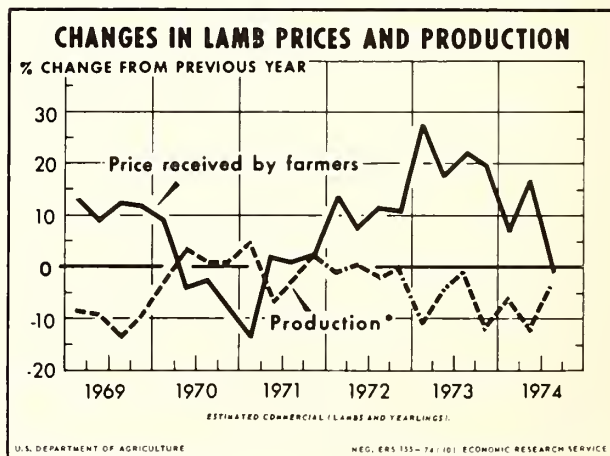
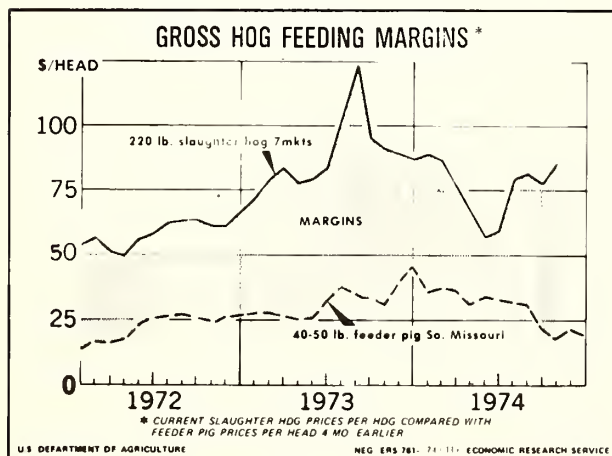
<sup>1</sup> Current 220 lb. Slaughter Hog compared with a 40-50 lb. Feeder Pig purchased 4 months earlier.

## SHEEP AND LAMBS

Commercial sheep and lamb slaughter in the first three quarters of 1974 totalled 6.7 million head, down 7 percent from a year earlier, reflecting the 8 percent reduction in the 1974 lamb crop. During January-September this year, lamb and yearling slaughter made up 93.4 percent of Federally inspected slaughter compared with 91.9 percent last year. Average live weight of sheep and lamb slaughter is down about 2 percent from a year earlier. Below average feed conditions and a smaller proportion of lambs fed in 1974 probably accounted for most of the change in slaughter weights.

Over half of this year's lamb slaughter is concentrated in California, Colorado and Texas. California and Texas slaughtered about the same number of sheep and lambs this year as last year during January to September, while lamb slaughter in Colorado was down by 16 percent. Reduced feeding in Colorado was probably largely responsible for the reduction in slaughter in that State. Many lambs normally grain fed were slaughtered off grass in Texas and California, maintaining lamb slaughter in these two States.

As commercial slaughter continued lower this year, slaughter lamb prices remained strong and have generally stayed above year-earlier levels in each month, except March, on most markets. Prices bounced from around \$40 per 100 pounds early this year to record levels of near \$50 in late May and early June, then back down to the mid-\$30's in September. By early November, slaughter lamb prices had recovered to the \$36-\$38 range in most markets. The strong lamb market seemed unusual given the depressed price conditions in the cattle and hog markets, but commercial sheep and lamb

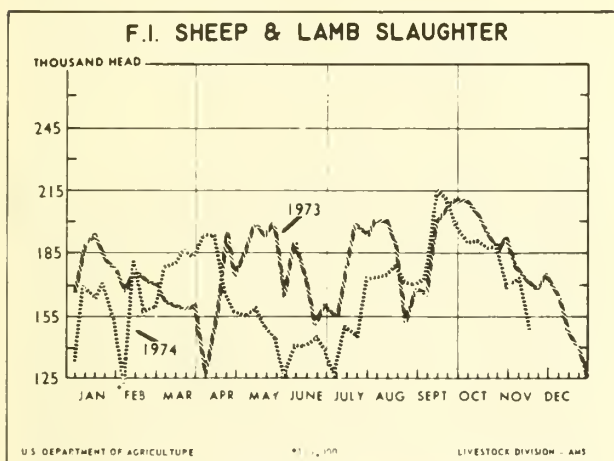


slaughter in June was record low at about 600,000 head. Commercial lamb and mutton production in June of 29 million pounds was 15 percent below the previous record low set in February.

Although July-September commercial slaughter averaged 5 percent below a year earlier, it was nearly 14 percent larger than in the second quarter. Commercial slaughter in September was up from previous months and 6 percent above a year earlier. Slaughter lamb prices declined downward to yearly lows of \$34-\$36 per 100 pounds.

### Slaughter Down, Prices Steady

Although larger than September, October commercial slaughter slipped back below year-earlier levels by about 8 percent. Marketings for the remainder of the year will likely follow a normal pattern of declines through December. October-December commercial slaughter will likely average 8 percent under last year and total about 2.2 million head. Commercial slaughter for 1974 will likely total about 8.9 million head, down 7 percent from 1973. The reduction in slaughter this year basically parallels the 7 percent reduction in the sheep and lamb inventory at the beginning of 1974.



Slaughter lamb prices will likely strengthen somewhat from early November levels as slaughter declines towards yearend, and run mostly in the \$40-\$42 range.

### Inventory to Continue Lower

With commercial slaughter this year close to 8.9 million head, a normal death loss, and net exports of live animals near 250,000 head, the January 1, 1975, sheep and lamb inventory likely will be near 15.5 million head. This would be 6 percent below the January 1, 1974 inventory of 16,545 million. The inventory of breeding ewes 1 year old and older in January will likely show a similar decline, reducing the 1975 lamb crop by 5-7 percent. Sheep and lamb slaughter will probably drop another 5-7 percent in 1975, barring any unusual

liquidation. Slaughter lamb prices will remain strong, but will be influenced by cattle prices. Normal seasonal slaughter lamb price trends are likely with prices rising into late winter or early spring, then dropping back and stabilizing.

### Sheep and Lambs on Feed Down

Rising feed prices and lower lamb prices this fall have discouraged activity in the lamb feeding industry. In the 7 major feeding States, feedlot placements of lambs before September were down 20 percent from last year but placements during September and October only dropped 6 percent. Placements were off the most in Texas and South Dakota. On November 1 there were an estimated 1.3 million head on feed in the 7 States, 9 percent below last year. The biggest reduction in sheep and lambs on feed were in the lighter weight groups—down 15 percent in the under 80 pound weight groups but down 4 percent in the 80 pounds and over weight group.

Although the supply of feeder lambs is down, the demand from feedlots is also reduced. Costs of gain due to high feed prices have squeezed lamb feeders and are reflected in the feeder lamb market. Earlier this year feeder lambs sold largely for the same price per 100 pounds as slaughter lambs. But the margin began to widen in late spring and early summer. The feeder lamb market did not respond to the strong slaughter lamb market in June and the margin widened to \$8-\$10 on most markets. Feeder lamb prices in late October were generally the lowest of 1974, ranging from around \$31 per 100 pounds in San Angelo to \$26-\$28 at South St. Paul and Sioux Falls. The feeder market likely will continue relatively weak this winter as high feed costs continue discouraging to livestock feeders.

## MEAT SITUATION AND PRICES

Commercial red meat production during October-December is expected to total near 9.8 billion pounds, 6 percent more than in the summer and 6 percent larger than the fourth quarter last year. This will boost 1974's total red meat output to near 37½ billion pounds, up 8 percent from 1973 and about equal to the previous record level of 1971.

Per capita red meat consumption in the October-December quarter will likely total near 48 pounds, the largest quarter of the year. Meat consumption in 1974 will reach about 188 pounds per person compared with 176 pounds last year and the record 192 in 1971.

Retail meat prices during October-December are expected to be about the same or slightly less than in the summer, and be 5 percent under 1973's fall level. The BLS retail meat price index for 1974 will likely average about 2 percent higher than 1973. All of the increase from 1973 in this year's meat prices, relative to a year

Meat consumption by quarters<sup>1</sup>

Year	First	Second	Third	Fourth	Total
	<i>Pounds per person</i>	<i>Pounds per person</i>	<i>Pounds per person</i>	<i>Pounds per person</i>	<i>Pounds per person</i>
<b>Beef</b>					
1969 .....	27.2	26.7	28.6	28.3	110.8
1970 .....	28.3	27.9	29.0	28.5	113.7
1971 .....	27.7	28.1	29.3	27.9	113.0
1972 .....	28.2	28.9	29.4	29.6	116.1
1973 .....	28.0	26.2	26.8	28.6	109.6
1974 <sup>2</sup> .....	28.0	28.8	29.3		
<b>Veal</b>					
1969 .....	0.9	0.8	0.8	0.8	3.3
1970 .....	.8	.7	.7	.7	2.9
1971 .....	.7	.6	.7	.7	2.7
1972 .....	.6	.5	.5	.6	2.2
1973 .....	.5	.4	.4	.5	1.8
1974 <sup>2</sup> .....	.5	.4	.6		
<b>Pork</b>					
1969 .....	17.0	16.0	15.5	16.5	65.0
1970 .....	15.4	15.6	16.3	19.1	66.4
1971 .....	18.3	17.8	18.0	18.9	73.0
1972 .....	17.7	16.6	15.8	17.3	67.4
1973 .....	16.0	15.4	14.0	16.2	61.6
1974 <sup>2</sup> .....	16.5	17.2	16.1		
<b>Lamb &amp; Mutton</b>					
1969 .....	0.9	0.8	0.9	0.8	3.4
1970 .....	.9	.9	.8	.7	3.3
1971 .....	.8	.8	.8	.7	3.1
1972 .....	.8	.9	.9	.7	3.3
1973 .....	.7	.7	.7	.6	2.7
1974 <sup>2</sup> .....	.6	.6	.6		
<b>Red Meat</b>					
1969 .....	46.0	44.3	45.8	46.4	182.5
1970 .....	45.4	45.1	46.8	49.0	186.3
1971 .....	47.5	47.3	48.8	48.2	191.8
1972 .....	47.3	46.9	46.6	48.2	189.0
1973 .....	45.2	42.7	41.9	45.9	175.7
1974 <sup>2</sup> .....	45.6	47.0	46.6		

<sup>1</sup> Total consumption including farm, 50 States. <sup>2</sup> Preliminary.

earlier, occurred during the first half of the year, averaging 10 percent higher than year-earlier levels. But they may average 6 percent below in the second half.

Developments in the livestock and feed grain industries in 1974 will allow for little, if any, increase in red meat production in the first half of 1975. Increases in beef and veal production will likely be offset by declines in pork and lamb output. Retail meat prices will rise through the first half of next year as supplies decline seasonally and demand remains strong.

## Beef

An expected record 6 billion pounds of beef produced commercially during October-December will boost the 1974 total to near 22.8 billion pounds, 8 percent up from 1973 and a little above the previous record output of 1972. But the composition of this year's beef is significantly different from last year or 1972. In 1974, a little over two-thirds of the cattle slaughtered were of

feedlot origin, down from nearly 80 percent in 1972 and 1973.

As beef production increased seasonally, retail prices began to decline in September and are currently running close to year-earlier levels. The composite price per pound of Choice grade beef declined from a record \$1.50 in February to \$1.32 in June, then rose back up to \$1.43 in August before slipping to about \$1.37 in October.

Retail prices by cut demonstrate the shift in beef composition this year. In October, for example, the U.S. average price for hamburger was 93 cents per pound, 12 percent below a year earlier, while sirloin steaks averaged \$1.82 per pound, 2 percent above October 1973. The average composite price per pound of beef will likely average near \$1.39 this year, up 3 percent from 1973.

The wholesale meat trade is also reflecting this year's change in supply and composition of beef. As beef production climbed to record levels, Choice steer carcass beef at Chicago dropped from \$70 in early September to near \$62 per 100 pounds in early November. Canner and Cutter cow beef prices at Chicago dropped to the lowest level in 5 years—near \$39 per 100 pounds in mid-November as the proportion of cows in total slaughter increased. The \$20-\$30 spread between Chicago Choice steer beef and cow beef this fall compares with a \$2-\$4 spread last spring when cow slaughter declined from year-earlier levels and made up a smaller proportion of the total supply.

## Imports Down

The depressed prices of lower grade beef in the domestic market have continued to discourage beef imports. Beef and veal imports in September ran 20 percent under a year earlier. January-September beef and veal imports (carcass weight) were down 13 percent from 1973 at 1,255 million pounds.

In October 1974, meat imports subject to the meat import law were estimated to total about 1,115 million pounds (product weight), 18 percent below 1973 imports of 1,354 million pounds. The estimate is below the trigger level for imposition of import quotas under the Meat Import Law. The trigger level for 1974 is 1,130.7 million pounds. Earlier estimates for 1974 have all been above the trigger level. Import quotas for 1974 were invoked under the law and simultaneously suspended by Presidential Proclamation on February 26, 1974. There has been no limitation on meat imports into the United States since mid-1972.

With record large beef production this fall, per capita consumption may also be record large at 30 pounds per person making the year's total over 116 pounds, up about 7 pounds from 1973 and about the same as 1972.

Looking ahead to 1975, larger beef production is expected to result in some moderation in retail beef prices. Nevertheless retail beef prices will be bolstered by reduced output and higher prices of competing meat



including pork, lamb, broilers, and turkeys. Due to conditions described in the cattle section, beef production in the first half of next year may rise 4-6 percent from 1974 to a new record level. All of the increase will be from lower grade beef as Choice and Prime grade beef supplies decline. Per capita beef consumption could be up about 2 pounds per person from January-June 1974.

## Pork

Pork production has increased seasonally this fall. October-December pork production is expected to total near 3.5 billion pounds, 8 percent more than in the summer and 5 percent higher than the fourth quarter of 1973. Commercial production of pork this year will likely be near 13.7 billion pounds, 9 percent more than last year.

An expected per capita pork consumption of near 17 pounds in the fourth quarter will raise total pork consumption this year 5 pounds above last year to about 67 pounds per person.

Retail pork prices this year will average under 1973's level. Declines in the last three quarters of the year more than offset an increase in the first quarter of 1974. The composite retail price per pound of pork in 1974 has ranged from a peak in February of \$1.17 per pound to a low in June of about \$.94. Although pork prices rose during the summer, they remained well below year-earlier levels. Fourth quarter pork prices will likely average near the October level of \$1.09 per pound. This would result in a 1974 average of about \$1.08 per pound, 2 percent under 1973 but still 30 percent higher than 1972. Retail pork prices will likely remain rather stable through the end of 1974 despite the seasonal increase in the supply of pork.

Average dressed weights per carcass this fall have been running under year-earlier levels and well below the unusually heavy weights earlier in the year. The increased pork tonnage produced this fall is not as great as the increase in hog slaughter.

September pork imports continued a decline from year-earlier levels which began in April. January-September pork imports (carcass weight) totaled 348 million pounds, down 8 percent from 1973. Pork exports during July-September were up from the unusually low levels of late 1973 and earlier in 1974. But declines in exports during the first half of the year offset increases during the summer. January-September exports totaled 70 million pounds—about half of year-earlier levels.

Prospects for the first half of 1975 include reduced production and consumption and higher retail prices. Given the situation described in the hog section of this report, pork production during January-June next year could be down 10 percent or more from this year to the lowest level since the mid-1960's. Declines in production will likely be sharper than declines in numbers of hogs

slaughtered because of lighter average carcass weights. Per capita pork consumption in the first half next year could slip 3 pounds per person. Retail pork prices will likely advance in a rather typical seasonal pattern, rising from early in the year to a midsummer peak. Rises in pork prices will likely be limited by the expected increase in beef production and rather stable retail beef prices.

## Veal

Veal production during July-September rose 66 percent above year-earlier levels to about 121 million pounds. A similar increase is taking place in the fourth quarter. Veal production may total near 150 million pounds in October-December, and 440 million pounds for the year. Although this is 35 percent higher than 1973, veal production this year will be just slightly higher than 1972's level. Heavier carcass weights are boosting veal tonnage 25-30 percent higher than increases in calf slaughter.

Veal consumption this year will be up from last year and total over 2 pounds per person, reversing the declining trend of the past several years. Veal consumption in 1975 will likely show a further increase.

Retail prices of veal have not yet reflected the substantial increase in production. The average price this year has ranged from a record \$2.00 per pound in March to \$1.94 in July then back up to \$1.98 in September. Veal will likely average about \$1.96 per pound this year, nearly 8 percent higher than 1973.

## Lamb and Mutton

Lamb and mutton production is continuing a long period of decline this year. Commercial production during July-September dropped 8 percent from a year earlier and a similar decline is expected in the fourth quarter. Total commercial production this year will be about 460 million pounds, down 9 percent from 1973.

The reduction in average dressed weights of lamb carcasses this fall is reducing lamb tonnage more than lamb slaughter. As a direct result, price discounts on heavy lamb carcasses that usually occur during the fall months have not yet materialized. Lamb carcass prices at Chicago in early November were running over \$80 per 100 pounds, nearly \$10 higher than year-earlier levels but well below record prices of over \$95 in late May this year.

Retail lamb prices this year have not generally followed wholesale price patterns. The average price of lamb reached a yearly high of \$1.44 per pound in September. Retail prices were the lowest in June at \$1.30, while wholesale prices were the highest.

Lamb and mutton consumption reflects this decline in output and will drop 0.3 pounds per person this year to about 2.4 pounds. With the reduction in sheep and lamb inventories on January 1, 1975, production next year will likely drop another 6-8 percent.

## Demand for Meat Still Strong

Consumers have continued to show a strong preference for meat this year by purchasing larger amounts at higher prices. Per capita meat consumption in 1974 will likely be about 12 pounds higher than 1973 and consumer meat prices will average 2-3 percent higher, a reflection of advancing incomes.

Table (5) illustrates changes in consumer expenditures for meat over the past several years. Expenditures per person are estimated to be the product of average price paid per pound and retail weight of consumption.

Per capita expenditures for beef, veal and pork in each of the first three quarters of 1974 exceeded year-earlier levels by a substantial margin. And for beef in particular, consumers spent a larger proportion of their income than usual to increase these expenditures. Expenditures

for lamb in 1974 declined in each quarter, and the proportion of consumer income to purchase lamb also declined.

During the first 9 months of 1974 consumers spent about 10 percent more for meat than they did in the first three quarters of 1973, using just over 4 percent of their current dollar disposable income to do so. The increased expenditures approximately equalled the rise in consumer incomes.

Continued growth in the demand for meat will require further increases in consumer incomes. Expenditures for meat over the past several years have closely paralleled changes in current dollar incomes. This year meat is apparently in the enviable position of enjoying strong demand despite the impact of inflation which has reduced consumer purchasing power.

Table 5.—Expenditures per person and percent of income spent for red meat

Year and quarter	Dispos- able income	Spent for beef	Per- cent- age	Spent for pork	Per- cent- age	Spent for veal	Per- cent- age	Spent for lamb	Per- cent- age	Spent for all meat	Per- cent- age
	Dollars	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
1955 .....	1,666.0	42.72	2.56	33.30	2.00	NA		2.73	0.20	78.75	4.7
1960 .....	1,937.0	50.51	2.61	33.74	1.74	4.10	0.20	3.09	0.20	91.44	4.7
1965 .....	2,436.0	58.98	2.42	35.92	1.47	3.60	.20	2.61	.10	101.11	4.2
1970 .....	3,376.0	82.96	2.46	48.17	1.43	2.99	.09	3.10	.09	137.22	4.1
1971 <sup>1</sup>											
I .....	882.8	20.54	2.33	11.78	1.33	.75	.09	.76	.09	33.83	3.8
II .....	899.5	21.79	2.42	11.39	1.27	.67	.07	.77	.09	34.62	3.8
III .....	906.0	22.85	2.52	11.94	1.32	.81	.09	.80	.09	36.40	4.0
IV .....	916.2	22.01	2.40	12.64	1.38	.82	.09	.70	.08	36.17	3.9
Total .....	3,605.0	87.13	2.42	47.73	1.32	3.04	.08	3.03	.08	140.93	3.9
1972 <sup>1</sup>											
I .....	930.0	23.87	2.57	13.00	1.40	.73	.08	.82	.09	38.42	4.1
II .....	946.8	24.02	2.54	12.33	1.30	.63	.07	.94	.10	37.92	4.0
III .....	965.2	25.08	2.60	12.65	1.31	.65	.07	.97	.10	39.35	4.1
IV .....	1,000.0	24.80	2.48	14.11	1.42	.79	.08	.76	.08	40.46	4.0
Total .....	3,843.0	97.77	2.54	52.15	1.41	2.81	.07	3.49	.09	156.22	4.1
1973 <sup>1</sup>											
I .....	1,035.8	26.77	2.58	14.60	1.41	.70	.07	.81	.08	42.88	4.1
II .....	1,061.0	26.33	2.48	14.77	1.39	.60	.06	.84	.08	42.54	4.0
III .....	1,084.8	28.12	2.59	15.86	1.46	.62	.06	.87	.08	45.47	4.2
IV .....	1,113.0	28.59	2.57	17.49	1.57	.79	.07	.71	.06	47.58	4.3
Total .....	4,295.0	109.90	2.56	62.90	1.46	2.72	.06	3.23	.08	178.75	4.2
1974 <sup>4</sup>											
I .....	1,124.2	30.06	2.67	17.68	1.57	.82	.07	.73	.06	49.29	4.4
II .....	1,141.2	28.66	2.51	15.88	1.39	.65	.06	.72	.06	45.91	4.0
III .....	1,167.5	30.68	2.63	15.98	1.32	.98	.08	.76	.07	48.40	4.1

<sup>1</sup> Estimated from retail weight of consumption times average retail price. Conversion factors of 0.74 for beef, 0.93 for pork, 0.83 for veal, and 0.89 for lamb and mutton were used to adjust

carcass weight consumption to retail weight consumption.

<sup>2</sup> Based on the average retail price of Choice grade beef and does not attempt to account for prices of other grades or the value of away-from-home consumption. <sup>3</sup> Revised. <sup>4</sup> Preliminary.

Table 6.—Average retail price of meat per pound, United States, by months, 1968 to date<sup>1</sup>

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Av.
Beef, Choice grade													
1968 .....	84.3	85.1	85.6	85.6	85.8	85.8	87.1	87.0	88.4	87.7	88.1	88.5	86.6
1969 .....	89.5	89.6	90.9	93.3	97.8	101.9	102.4	101.1	99.1	95.2	96.5	96.9	96.2
1970 .....	97.5	97.3	99.4	99.9	99.4	98.5	100.7	100.4	98.7	97.9	97.6	96.5	98.6
1971 .....	97.2	101.3	102.2	104.0	104.8	105.7	104.7	105.7	105.9	105.1	106.3	108.5	104.3
1972 .....	111.5	115.8	115.8	112.0	111.4	113.5	117.3	115.8	112.9	112.8	112.3	114.6	113.8
1973 .....	122.1	130.3	135.3	136.0	136.0	135.5	136.3	144.2	144.9	136.0	134.9	134.4	135.5
1974 .....	143.0	150.0	142.2	136.4	135.0	132.2	137.9	143.4	141.6	136.8			
Veal, retail cuts													
1968 .....	99.8	99.2	100.0	102.0	100.0	102.5	101.7	101.4	101.9	101.1	101.9	100.9	101.0
1969 .....	102.5	103.7	104.6	107.5	108.6	112.5	114.0	115.0	115.1	115.2	114.6	116.3	110.8
1970 .....	117.2	119.3	120.8	123.3	123.9	124.9	125.7	126.6	127.0	127.4	127.6	127.9	124.3
1971 .....	128.9	129.4	130.6	132.9	133.7	134.8	138.5	139.3	139.6	140.3	140.6	140.9	135.8
1972 .....	142.8	148.6	149.7	151.0	151.7	154.2	156.4	157.3	157.6	158.4	159.4	159.9	153.9
1973 .....	162.2	169.1	176.9	180.5	181.1	181.3	183.2	188.7	188.5	190.6	186.2	191.6	181.7
1974 .....	194.5	198.6	199.6	195.6	194.3	194.9	193.9	196.5	198.1	194.7			
Pork													
1968 .....	65.4	66.7	67.1	66.3	66.7	67.8	69.4	69.0	68.8	67.8	67.1	67.0	67.4
1969 .....	67.9	68.6	69.0	69.1	71.6	75.0	76.9	78.3	78.9	78.7	78.1	79.7	74.3
1970 .....	82.1	81.8	81.4	79.9	80.0	80.0	80.6	79.7	76.7	74.6	70.8	68.4	78.0
1971 .....	68.4	69.4	69.9	68.7	68.2	69.6	71.4	71.6	71.0	71.3	71.4	72.9	70.3
1972 .....	76.3	81.3	79.4	78.2	79.4	82.0	85.6	86.0	86.6	87.5	87.2	88.5	83.2
1973 .....	94.1	97.1	103.0	102.7	102.4	104.1	107.5	131.5	126.3	117.1	115.4	115.8	109.8
1974 .....	116.7	117.2	111.8	104.7	99.4	93.7	103.7	108.7	109.9	109.0			
Lamb, Choice grade													
1968 .....	89.8	90.4	92.0	92.5	93.3	93.7	94.5	93.6	93.1	94.5	94.2	93.5	92.9
1969 .....	94.5	95.9	96.4	97.1	100.1	101.8	104.4	102.9	103.4	103.9	103.7	104.8	100.7
1970 .....	104.8	104.8	104.7	105.6	103.9	105.7	106.0	106.3	106.3	105.9	105.9	106.4	105.5
1971 .....	105.9	106.5	107.0	107.4	108.0	109.6	111.4	111.5	112.6	110.9	112.7	109.7	
1972 .....	113.0	115.3	115.5	116.8	115.7	119.0	121.2	121.5	121.0	121.5	122.5	123.7	118.9
1973 .....	125.6	130.2	136.1	135.5	134.2	132.2	133.4	140.4	145.4	135.2	131.3	131.7	134.3
1974 .....	132.6	136.9	139.3	137.3	136.5	130.0	143.5	142.4	143.6	140.2			

<sup>1</sup> Estimated weighted average price of retail cuts. Compiled by Economic Research Service from BLS data.

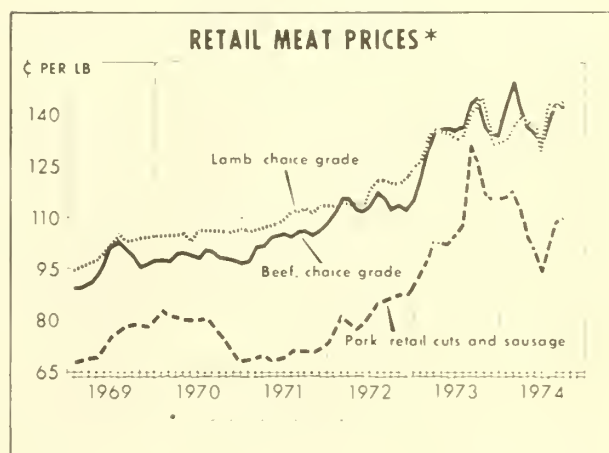
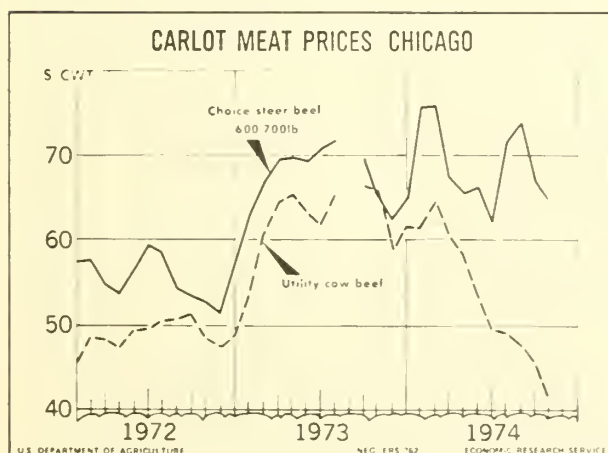


Table 7—Average retail price of specified meat cuts, per pound, by months, 1971 to date

Year and item	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
<b>Beef</b>												
Porterhouse steak												
1971 .....	156.7	158.3	161.5	164.3	166.2	169.7	172.9	172.9	174.8	171.8	169.7	172.0
1972 .....	176.3	180.8	181.3	177.8	175.3	180.1	187.1	187.3	184.9	180.2	182.0	179.7
1973 .....	187.7	197.1	201.4	204.4	204.1	206.4	207.7	216.7	216.3	207.6	202.4	200.2
1974 .....	201.3	214.7	211.5	206.0	204.1	206.6	205.8	220.2	226.6	216.4		
Round steak												
1971 .....	128.2	131.5	133.7	137.2	136.6	137.7	136.9	138.0	138.8	138.2	137.8	189.1
1972 .....	143.9	151.0	151.3	147.4	143.7	145.9	151.0	150.7	147.1	145.9	147.7	146.6
1973 .....	155.9	167.8	174.6	174.8	173.8	173.9	176.3	187.7	188.5	175.8	174.7	171.4
1974 .....	176.7	193.4	187.3	178.8	175.6	174.7	174.0	182.9	185.9	178.7		
Rib roast												
1971 .....	114.5	110.8	114.4	115.0	117.7	119.6	120.5	121.1	122.0	120.6	120.1	122.9
1972 .....	126.8	130.5	131.4	129.6	128.1	128.2	132.2	132.2	130.2	128.8	127.8	128.4
1973 .....	137.2	142.3	148.6	150.9	152.4	153.4	154.4	160.1	161.5	157.8	154.5	153.8
1974 .....	154.8	163.4	159.8	154.7	153.3	152.0	152.1	160.1	168.6	164.5		
Rump roast												
1971 .....	128.1	131.1	133.1	135.6	136.2	136.3	134.6	136.4	136.2	137.6	136.2	136.5
1972 .....	141.0	148.1	149.1	146.0	142.1	145.3	149.3	150.1	147.0	145.7	146.3	145.8
1973 .....	153.7	164.4	169.5	169.8	169.7	170.2	171.6	181.7	182.3	172.1	170.8	167.3
1974 .....	171.8	186.9	182.0	174.8	172.2	171.6	170.5	177.2	180.8	174.3		
Chuck roast												
1971 .....	69.5	72.1	75.3	75.8	75.5	75.6	75.5	76.0	75.8	75.7	75.8	77.6
1972 .....	79.1	84.2	85.1	83.0	80.7	79.8	83.5	84.6	82.2	81.2	81.1	81.1
1973 .....	85.3	96.1	100.6	103.3	103.6	103.3	103.9	114.2	115.0	106.3	101.8	100.5
1974 .....	101.0	114.7	113.0	102.7	97.4	95.0	95.4	102.2	105.0	101.2		
Hamburger												
1971 .....	65.7	66.1	67.3	67.8	67.9	68.7	68.6	68.6	69.2	68.9	69.0	69.7
1972 .....	70.6	73.2	74.1	73.8	73.5	74.1	75.1	76.4	75.3	75.7	75.4	75.2
1973 .....	78.2	83.9	91.3	94.2	94.6	95.3	94.8	103.8	106.2	104.2	101.5	100.4
1974 .....	102.6	109.5	108.4	101.2	94.1	95.2	90.5	94.8	96.4	93.0		
Veal Cutlet												
1971 .....	230.5	231.6	234.0	238.3	240.2	237.6	244.3	245.9	246.7	248.0	248.9	249.6
1972 .....	250.5	260.7	262.7	265.0	266.3	270.7	274.5	276.1	276.6	278.0	279.8	280.8
1973 .....	284.6	295.7	308.5	314.0	314.1	313.5	315.9	324.6	323.4	327.4	327.4	326.0
1974 .....	341.3	348.4	350.2	343.1	340.9	342.0	340.2	344.8	347.5	341.6		
Pork Chops												
1971 .....	101.7	103.2	109.0	106.5	103.1	106.1	108.8	113.9	110.7	110.6	111.3	112.0
1972 .....	112.3	125.1	119.9	116.8	115.6	120.7	131.6	128.9	132.5	131.3	130.9	129.3
1973 .....	139.5	147.7	154.2	145.0	147.0	150.0	152.1	196.5	169.8	157.9	157.6	153.4
1974 .....	162.7	164.0	158.5	149.7	143.7	139.8	153.9	158.9	164.5	161.9		
Roast, loin												
1971 .....	73.5	74.2	76.8	74.4	73.6	75.2	76.4	79.6	78.8	77.9	78.3	78.6
1972 .....	79.5	86.9	85.5	82.8	82.1	85.1	93.1	92.1	93.1	93.2	93.3	92.0
1973 .....	99.3	105.5	111.9	109.5	108.7	110.1	111.7	151.5	131.3	120.7	119.7	116.9
1974 .....	122.9	123.9	121.1	111.7	107.5	102.9	113.3	117.6	121.6	119.8		
Bacon, sliced												
1971 .....	81.3	79.4	80.3	79.5	79.2	79.4	79.8	79.8	80.7	79.8	80.4	80.4
1972 .....	83.2	93.9	92.7	92.5	91.2	93.1	95.7	99.4	99.8	106.0	103.7	103.5
1973 .....	107.3	114.7	118.1	121.6	119.5	121.2	123.1	161.0	166.4	152.8	142.9	141.4
1974 .....	139.1	143.4	137.1	124.8	118.1	109.7	108.9	132.6	140.6	141.6		
Ham, whole												
1971 .....	74.2	71.4	72.0	67.3	69.4	71.1	70.5	70.5	71.1	69.9	70.3	72.8
1972 .....	74.9	76.6	77.8	76.7	75.2	76.3	77.5	78.0	78.6	79.9	81.9	85.5
1973 .....	92.0	91.0	94.8	99.7	98.4	97.8	98.2	121.7	126.0	115.3	117.0	122.2
1974 .....	121.3	115.9	114.2	108.9	97.3	92.6	89.9	99.0	101.1	102.7		
Lamb Chops												
1971 .....	186.6	187.2	188.5	188.2	189.7	187.6	191.2	192.4	193.0	191.1	192.7	192.5
1972 .....	192.1	195.5	196.0	195.3	195.0	199.7	203.0	203.6	202.6	203.9	204.0	203.1
1973 .....	205.3	218.1	225.5	227.5	226.6	224.5	228.8	241.4	240.8	227.1	223.4	230.1
1974 .....	200.2	216.3	219.7	213.2	213.0	222.9	225.7	226.1	226.2	223.2		

Data from the Bureau of Labor Statistics.



**Table 8—Meat subject to U.S. import quota restriction: Product weight of imports by months, average  
1959-63, 1964-74**

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>
1959-63 average	47.3	49.6	57.5	54.3	48.5	58.6	67.1	84.1	76.1	61.6	56.1	61.4	722.2
1964	87.2	44.9	68.9	61.4	51.1	98.1	43.7	79.5	49.6	46.4	55.7	53.4	739.9
1965	28.2	34.5	68.7	32.4	52.3	41.9	58.5	59.9	62.2	64.4	57.2	53.7	613.9
1966	51.4	60.3	49.4	63.3	52.0	100.2	61.4	87.1	91.5	79.7	61.1	66.0	823.4
1967	77.4	58.5	61.9	58.8	51.5	69.6	88.7	92.2	89.8	91.8	82.3	72.4	894.9
1968	80.7	72.6	64.1	78.4	56.1	105.1	86.4	108.6	115.5	102.1	95.8	35.6	1,001.0
1969 <sup>1</sup>	41.9	50.4	136.1	90.0	80.5	85.7	107.1	141.8	121.4	108.4	51.4	69.4	1,084.1
1970 <sup>1</sup>	124.5	100.7	112.0	88.7	62.1	93.4	110.0	113.0	107.6	89.3	79.3	89.8	1,170.4
1971 <sup>1</sup>	83.4	65.1	88.3	86.2	76.8	101.0	94.4	104.9	158.6	80.4	63.2	130.3	1,132.6
1972 <sup>1</sup>	86.9	80.8	75.4	105.4	107.9	106.4	106.8	164.6	163.8	145.1	119.0	93.4	1,355.5
1973 <sup>1</sup>	106.2	98.4	88.3	97.9	113.1	91.5	105.9	153.7	110.3	150.0	130.0	109.1	1,354.4
1974	118.0	82.3	104.9	91.4	80.6	78.6	59.4	101.4	91.8				

<sup>1</sup> Rejections for calendar year 1969 equaled 13.5 million pounds, 17.4 million pounds for 1970, 21.0 million pounds for

1971, 17.8 million pounds for 1972, and 18.4 million pounds for 1973.

**Table 9—U.S. meat imports and exports and percentage comparisons  
(carcass weight), 1973 and 1974**

Months	Beef and veal			Lamb and mutton <sup>1</sup>			Pork			Total meat		
	1973	1974	Change	1973	1974	Change	1973	1974	Change	1973	1974	Change
	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Pct.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Pct.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Pct.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Pct.</i>
<b>IMPORTS</b>												
January	167	178	+7	4	1	-67	44	43	-3	215	222	+4
February	148	127	-14	7	3	-58	39	47	+20	194	177	-9
March	128	163	+27	8	4	-52	37	52	+41	173	219	+27
April	141	137	-3	5	6	+16	48	43	-11	194	186	-4
May	163	125	-24	7	2	-74	48	39	-18	218	166	-24
June	139	129	-7	3	4	+13	45	29	-34	187	162	-13
July	160	99	-38	5	2	-65	38	33	-13	203	134	-34
August	227	161	-29	4	1	-78	42	25	-42	273	187	-32
September	169	135	-20	2	1	-51	38	36	-5	209	172	-18
October	222			3			48			273		
November	192			3			46			241		
December	164			1			39			204		
Total	2,020			52			512			2,584		
<b>EXPORTS</b>												
January	6.50	9.57	+47	0.20	.35	+77	6.10	4.76	-22	12.80	14.68	+15
February	5.04	8.77	+74	.20	.26	+36	12.14	3.13	-74	17.38	12.16	-30
March	6.83	8.06	+18	.25	.34	+35	33.55	4.12	-88	40.63	12.52	-69
April	6.37	6.03	-5	.22	.41	+83	31.15	5.88	-81	37.74	12.32	-67
May	7.99	4.66	-42	.17	.22	+27	29.72	6.22	-79	37.88	11.10	-71
June	8.51	3.48	-59	.16	.22	+42	14.54	9.19	-37	23.21	12.89	-44
July	6.93	3.82	-45	.22	.41	+90	5.68	8.19	+44	12.83	12.42	-3
August	6.76	3.06	-55	.28	.24	-14	4.10	13.20	+222	11.14	16.50	+48
September	5.22	3.34	-36	.21	.27	+31	6.03	15.63	+159	11.46	19.24	+68
October	9.32			.25			13.96			23.53		
November	11.02			.32			8.68			20.02		
December	10.41			.26			5.43			16.10		
Total	90.90			2.74			171.08			264.72		

<sup>1</sup> Includes goat meat.

**Supply and distribution of commercially produced meat, by month, carcass weight**

Meat and period	Supply			Distribution				
	Production <sup>1</sup>	Beginning stocks	Imports	Exports and shipments	Ending stocks	Military	Civilian consumption	
							Total	Per person <sup>2</sup>
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Pounds
<b>Beef:</b>								
<b>1973</b>								
August .....	1,662	298	226	12	254	6	1,914	9.2
September .....	1,641	254	167	9	244	24	1,785	8.6
October .....	1,996	244	218	13	315	24	2,106	10.1
November .....	1,875	315	188	15	393	20	1,950	9.3
December .....	1,778	393	160	16	448	14	1,853	8.9
<b>1974</b>								
January .....	1,972	448	174	14	464	10	2,106	10.1
February .....	1,601	464	125	13	448	12	1,717	8.2
March .....	1,856	448	160	12	485	13	1,954	9.4
April .....	1,852	485	136	10	471	14	1,978	9.5
May .....	1,946	471	123	8	465	13	2,054	9.8
June .....	1,839	465	126	8	441	9	1,972	9.4
July .....	1,942	441	98	9	403	23	2,046	9.7
August .....	1,952	403	159	7	376	24	2,107	10.0
September .....	1,855	376	134	7	347	25	1,986	9.5
<b>Veal:</b>								
<b>1973</b>								
August .....	25	10	1		8	( <sup>3</sup> )	27	.1
September .....	24	8	2	( <sup>3</sup> )	8	( <sup>3</sup> )	26	.1
October .....	28	8	4	1	9	( <sup>3</sup> )	30	.2
November .....	28	9	4	1	10	( <sup>3</sup> )	30	.1
December .....	24	10	4	1	12	1	24	.1
<b>1974</b>								
January .....	29	12	4	1	12	( <sup>3</sup> )	32	.2
February .....	25	12	2	1	12	( <sup>3</sup> )	26	.1
March .....	29	12	4	1	14	1	29	.1
April .....	28	14	2	1	14	( <sup>3</sup> )	29	.1
May .....	29	14	2	1	14	1	29	.1
June .....	26	14	2	1	15	1	25	.1
July .....	34	15	1	1	14	1	34	.2
August .....	40	14	2	2	13	1	40	.2
September .....	47	13	1	1	12	1	47	.2
<b>Lamb &amp; Mutton:</b>								
<b>1973</b>								
August .....	44	14	4	( <sup>3</sup> )	13	( <sup>3</sup> )	49	.2
September .....	41	13	2	1	13	( <sup>3</sup> )	42	.2
October .....	49	13	3	1	16	( <sup>3</sup> )	48	.2
November .....	40	16	3	( <sup>3</sup> )	15	( <sup>3</sup> )	44	.2
December .....	34	15	1	1	15	( <sup>3</sup> )	34	.1
<b>1974</b>								
January .....	41	15	1	1	12	( <sup>3</sup> )	44	.2
February .....	34	12	3	( <sup>3</sup> )	12	( <sup>3</sup> )	37	.2
March .....	44	12	4	1	14	( <sup>3</sup> )	45	.2
April .....	43	14	6	( <sup>3</sup> )	14	( <sup>3</sup> )	49	.2
May .....	36	14	2	( <sup>3</sup> )	17	( <sup>3</sup> )	35	.2
June .....	29	17	4	1	16	( <sup>3</sup> )	33	.2
July .....	36	16	2	1	16	( <sup>3</sup> )	37	.2
August .....	39	16	1	( <sup>3</sup> )	15	( <sup>3</sup> )	41	.2
September .....	43	15	1	1	14	( <sup>3</sup> )	44	.2
<b>Pork:</b>								
<b>1973</b>								
August .....	973	203	42	11	179	15	1,011	4.9
September .....	929	179	38	13	196	10	927	4.4
October .....	1,152	196	48	21	224	9	1,142	5.5
November .....	1,137	224	46	16	277	6	1,108	5.3
December .....	1,058	277	39	16	286	6	1,066	5.1
<b>1974</b>								
January .....	1,212	286	43	14	303	6	1,218	5.8
February .....	999	303	47	9	307	6	1,027	4.9
March .....	1,159	307	52	11	351	8	1,148	5.5
April .....	1,228	351	42	13	405	8	1,195	5.7
May .....	1,262	405	39	13	412	7	1,274	6.1
June .....	1,050	412	30	19	354	13	1,106	5.3
July .....	1,016	354	33	14	292	11	1,086	5.2
August .....	1,104	292	25	20	254	7	1,140	5.4
September .....	1,127	254	36	25	249	10	1,133	5.4
<b>Total Meat:</b>								
<b>1973</b>								
August .....	2,704	525	273	24	454	21	3,003	14.4
September .....	2,635	454	209	23	461	34	2,780	13.3
October .....	3,225	461	273	36	564	33	3,326	16.0
November .....	3,080	564	241	32	695	26	3,132	14.9
December .....	2,894	695	204	34	761	21	2,977	14.2
<b>1974</b>								
January .....	3,254	761	222	30	791	16	3,400	16.3
February .....	2,659	791	177	23	779	18	2,807	13.4
March .....	3,088	779	220	25	864	22	3,176	15.2
April .....	3,151	864	186	24	904	22	3,251	15.5
May .....	3,273	904	166	22	908	21	3,392	16.2
June .....	2,944	908	162	29	826	23	3,136	15.0
July .....	3,028	826	134	25	725	35	3,203	15.3
August .....	3,135	725	187	29	658	32	3,328	15.8
September .....	3,072	658	172	34	622	36	3,210	15.3

<sup>1</sup>Excludes production from farm slaughter. <sup>2</sup>Derived from estimates by months of population eating out of civilian food supplies. <sup>3</sup>Less than 500,000 pounds.



Selected price statistics for meat animals and meat

Item	1974						
	Apr.	May	June	July	Aug.	Sept.	Oct.
<i>Dollars per 100 pounds</i>							
<b>CATTLE AND CALVES</b>							
Beef steers, slaughter, Omaha							
Prime .....	41.96	40.29	37.42	45.07	48.94	42.65	40.81
Choice .....	41.18	40.04	37.33	43.98	47.23	41.41	39.75
Good .....	39.62	38.45	35.28	40.34	44.07	39.20	37.83
Standard .....	37.30	34.91	29.74	34.03	38.81	35.70	33.97
Utility .....	36.20	33.85	27.82	31.78	35.64	33.62	32.54
All grades .....	40.81	39.49	36.62	42.81	46.14	40.64	39.21
Choice 900-1100 pounds, California .....	44.62	43.98	39.69	45.92	48.38	41.00	39.95
Choice 900-1100 pounds, Colorado .....	41.61	41.29	38.16	45.30	48.15	41.56	40.11
Cows, Omaha							
Commercial .....	30.35	27.58	26.15	23.90	24.36	22.46	19.68
Utility .....	30.49	27.67	26.39	24.22	24.54	22.56	19.68
Cutter .....	28.92	26.08	25.00	22.85	23.08	21.04	17.65
Canner .....	27.26	24.39	23.04	21.25	21.45	19.48	16.18
Vealers, Choice, S. St. Paul .....	59.62	55.16	48.35	43.54	44.90	43.44	40.12
Stocker and feeder steers, Kansas City <sup>1</sup> .....	42.49	37.24	33.16	34.44	33.26	29.80	29.80
Price received by farmers							
Beef cattle .....	39.20	37.20	32.30	35.00	36.60	32.80	30.50
Cows .....	30.70	28.90	24.90	23.60	24.00	21.80	19.00
Steers and heifers .....	41.20	39.10	34.10	38.20	40.30	35.50	33.20
Calves .....	47.20	42.80	37.40	36.50	34.30	29.90	27.50
Beef steer-corn price ratio <sup>2</sup> .....	16.4	15.7	13.7	13.4	13.0	11.7	10.8
<b>HOGS</b>							
Barrows and gilts, U.S. No. 1 and 2, Omaha							
180-200 pounds .....	---	---	---	---	---	---	---
200-220 pounds .....	32.25	28.24	29.89	38.05	38.86	36.21	39.42
220-240 pounds .....	32.22	28.13	29.78	38.08	39.04	36.48	39.46
Barrows and gilts, 7 markets <sup>3</sup> .....	30.52	26.09	27.40	36.31	37.56	35.79	38.86
Sows, 7 markets <sup>3</sup> .....	26.60	21.52	21.37	28.12	29.66	29.04	33.39
Price received by farmers .....	30.60	26.30	23.50	34.50	36.10	33.60	37.10
Hog-corn price ratio <sup>4</sup>							
Omaha, barrows and gilts .....	12.1	10.2	10.0	11.2	10.5	10.3	10.6
Price received by farmers, all hogs .....	12.7	10.7	9.1	11.9	10.7	10.2	10.8
<b>SHEEP AND LAMBS</b>							
Sheep							
Slaughter ewes, Good, San Angelo .....	16.50	12.65	12.25	12.75	11.31	13.25	10.40
Price received by farmers .....	13.30	11.90	10.60	10.40	10.60	9.56	8.20
Lamb							
Slaughter, Choice, San Angelo .....	42.25	47.25	46.25	37.94	42.50	36.12	35.25
Feeder, Choice, San Angelo .....	41.46	42.00	37.08	31.25	32.58	30.15	31.75
Price received by farmers .....	37.40	41.50	43.50	38.20	38.00	32.70	33.10
<b>ALL MEAT ANIMALS</b>							
Index number price received by farmers (1967=100) .....	172	159	140	163	169	153	151
<i>Dollars per 100 pounds</i>							
<b>MEAT</b>							
Wholesale, Chicago, Carlot							
Steer beef carcass, Choice, 600-700 pounds ..	65.84	66.13	62.18	71.53	73.92	67.00	64.98
Heifer beef, Choice, 500-600 pounds .....	64.77	64.71	61.32	70.52	73.22	65.70	63.61
Cow beef, Canner and Cutter .....	62.07	58.71	55.09	53.08	49.93	45.90	41.70
Lamb carcass, Choice and Prime, 45-55 pounds .....	74.75	90.30	92.50	85.30	82.48	75.64	80.38
Fresh pork loins, 8-14 pounds .....	65.03	65.04	67.85	79.01	79.18	76.36	76.52
<i>Cents per pound</i>							
Retail, United States average							
Beef, Choice grade .....	136.4	135.0	132.2	137.9	143.4	141.6	136.8
Pork, retail cuts and sausage .....	104.7	99.4	93.7	103.7	108.7	109.9	109.0
Lamb, Choice grade .....	137.3	136.5	130.0	143.5	142.4	143.6	140.2
Index number all meats (BLS)							
Wholesale (1967=100) .....	151.9	147.5	135.7	165.0	169.1	161.3	160.2
Retail (1967=100) .....	164.8	158.7	154.8	154.0	162.8	166.7	163.5
Beef and veal .....	170.0	165.8	163.9	161.0	169.0	172.9	166.8
Pork .....	158.2	148.8	141.2	145.9	158.8	164.8	164.0

<sup>1</sup> Average all weights and grades. <sup>2</sup> Bushels of No. 2 Yellow Corn equivalent in value to 100 pounds of slaughter steers sold out of first hands, Omaha, all grades. <sup>3</sup> St. Louis N.S.Y., Kansas

City, Omaha, Sioux City, S. St. Joseph, S. St. Paul, and Indianapolis. <sup>4</sup> Number bushels of corn equivalent in value to 100 pounds of live hogs.

**Selected marketing, slaughter and stock statistics for meat animals and meat**

Item	Unit	1974					
		Apr.	May	June	July	Aug.	Sept.
Meat animal marketings							
Index number (1967-100) .....		113	122	105	105	116	123
7-State Cattle on Feed Report							
Number on feed .....	1,000 head	8,803	8,351	7,885	7,146	7,007	6,855
Placed on feed .....	1,000 head	1,192	1,085	806	1,218	1,149	1,041
Marketings .....	1,000 head	1,644	1,551	1,545	1,357	1,301	1,324
Slaughter under Federal inspection							
Number slaughtered							
Cattle .....	1,000 head	2,643	2,793	2,621	2,821	2,876	2,787
Steers .....	1,000 head	1,558	1,626	1,566	1,530	1,463	1,442
Heifers .....	1,000 head	600	659	611	682	727	686
Cows .....	1,000 head	437	449	386	538	609	588
Bulls and stags .....	1,000 head	48	59	58	71	77	71
Calves .....	1,000 head	172	167	137	164	202	212
Sheep and lambs .....	1,000 head	782	670	581	713	777	842
Hogs .....	1,000 head	6,867	7,077	5,894	5,722	6,363	6,523
Percentage sows .....	Percent	5	6	7	9	10	9
Average live weight per head							
Cattle .....	Pounds	1,069	1,077	1,074	1,052	1,039	1,026
Calves .....	Pounds	197	211	210	219	226	229
Sheep and lambs .....	Pounds	109	105	100	100	101	102
Hogs .....	Pounds	246	246	249	247	243	243
Average production							
Beef, per head .....	Pounds	648	647	651	634	625	611
Veal, per head .....	Pounds	116	120	123	128	128	133
Lamb and mutton, per head .....	Pounds	54	52	49	49	48	50
Pork, per head .....	Pounds	170	170	169	168	165	165
Pork, per 100 pounds live weight .....	Pounds	69	69	68	68	68	68
Lard, per head .....	Pounds	16	17	18	18	17	16
Lard, per 100 pounds live weight .....	Pounds	6	7	7	7	7	7
Total production							
Beef .....	Mil. lb.	1,707	1,802	1,700	1,784	1,791	1,697
Veal .....	Mil. lb.	20	20	17	21	26	28
Lamb and mutton .....	Mil. lb.	32	35	28	34	37	42
Pork .....	Mil. lb.	1,166	1,200	992	958	1,202	1,073
Lard .....	Mil. lb.	108	122	109	100	113	107
Commercial slaughter <sup>1</sup>							
Number slaughter							
Cattle .....	1,000 head	2,898	3,050	2,865	3,105	3,168	3,085
Calves .....	1,000 head	204	205	175	215	260	286
Sheep and lambs .....	1,000 head	817	694	601	737	807	869
Hogs .....	1,000 head	7,280	7,479	6,269	6,098	6,747	6,877
Total production							
Beef .....	Mil. lb.	1,852	1,946	1,839	1,942	1,952	1,855
Veal .....	Mil. lb.	28	29	26	34	40	47
Lamb and mutton .....	Mil. lb.	43	36	29	36	39	43
Pork .....	Mil. lb.	1,228	1,262	1,050	1,016	1,104	1,127
Lard .....	Mil. lb.	113	127	113	105	117	111
Cold storage stocks first of month							
Beef .....	Mil. lb.	485	471	465	441	403	376
Veal .....	Mil. lb.	14	14	14	15	14	13
Lamb and mutton .....	Mil. lb.	14	14	17	16	16	15
Pork .....	Mil. lb.	351	405	412	354	292	254
Total meat and meat products <sup>2</sup> .....	Mil. lb.	960	1,006	1,016	917	802	723

<sup>1</sup> Federally inspected and other commercial. <sup>2</sup> Includes stocks of canned meats in cooler in addition to the meats listed.

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## THANKS!

# OPERATING CAPITAL REQUIREMENTS OF THE CATTLE FEEDING INDUSTRY

by William H. Scofield<sup>1</sup>

## ABSTRACT

This article presents and discusses new estimates of the aggregative amounts of debt and equity capital required to finance the \$10 billion a year fed cattle industry. Although losses in 1973-74 were estimated at \$1.7 billion, the industry as a whole has sufficient equity capital to support its present reduced level of operations.

**Key words:** cattle feeding, capital requirements, net operating margins.

The production of beef in specialized feedlots requires substantially more capital than many other sectors of primary food production. The high costs for feeders and feed, together with the large numbers that move through the feeding process, result in annual gross sales of about \$10 billion. Over the past 3 years, inventory investment in cattle and feed has ranged between \$4 billion and \$6.5 billion at any one time. Because the industry is a major user of debt capital, its needs and profitability can, at times, affect the general supply of credit to other sectors of the agricultural industry.

The purpose of this article is to measure and analyze the general magnitude of the flows of debt and equity capital associated with cattle feeding in the 23 States for which quarterly data on placements and marketings are available. These States normally account for more than 90 percent of all fed cattle marketings. Estimates have been developed of the cost of placements each quarter, receipts from fed cattle marketings, the amounts of debt and equity capital involved, and a calculation of net margins on cattle marketed each quarter (tables 1, 2). These accounts begin with the first quarter of 1972 and include tentative projections for the first quarter of 1975. A number of simplifying assumptions were required which may affect the actual magnitude of the estimates but which should not appreciably affect the general trends. These are described in the technical notes on the following page.

The effects of sharply higher feeder cattle and feed prices in 1973 and the first half of 1974 can be seen in

the substantial increases shown for outstanding debt and the minimum equity account. Debt requirements increased from about \$3.1 billion in early 1972 to a peak of \$4.8 billion in the fourth quarter of 1973. An additional \$700 million of equity capital would have been needed to support this increase in debt (table 1). This additional equity capital could have been provided by the positive net margins from marketings through the third quarter of 1973. But margins (value of cattle sold less costs of feeder cattle and feed) became negative in the fourth quarter of 1973 and have remained negative through 1974 (table 2).

These unfavorable margins and the prospect that they will continue lead to sharp drops in placements in succeeding quarters and a reduction in outstanding debt of about \$2.2 billion from the 4th quarter of 1973 to the 3rd quarter of 1974. The cumulative net margin account shows a loss of \$1.7 billion since the 3rd quarter of 1973, almost wiping out the gains made in 1972 and 1973. However, despite these losses and the increase in margin requirements for loans imposed in recent quarters, the industry as a whole appears to be solvent, with about \$2.0 billion of equity to support the \$3.0 billion of debt likely to be outstanding on January 1, 1975.

Individual feeding firms have, of course, fared quite differently than has the industry as a whole. Firms that increased placements at the high costs for feeders and feed in the last half of 1973 and which did not accumulate profits in earlier years were faced with high losses of equity capital and inadequate reserves to support additional credit. Firms that had raised equity capital through the sale of limited partnership interests were able to shift most of these losses to their investors,

<sup>1</sup>Agricultural Economist, National Economic Analysis Division. The helpful suggestions of Bruce Hottel are gratefully acknowledged.

Table 1—Cattle feeding: Estimated cost of placements, market receipts debt and equity accounts, 23 States, 1972-74

Year and quarter	Cost of placements	Receipts from marketings	Debt repayments <sup>1</sup>	Debt for placements <sup>2</sup>	Outstanding debt <sup>3</sup>	Minimum equity <sup>4</sup>
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>
1972:						
1st .....	1,964	2,405	1,501	1,473	3,104	1,056
2nd .....	2,202	2,543	1,642	1,651	3,113	1,082
3rd .....	2,259	2,632	1,749	1,694	3,058	1,085
4th .....	3,376	2,500	1,793	2,532	3,797	1,376
1973:						
1st .....	2,681	2,990	1,828	2,011	3,980	1,320
2nd .....	2,711	3,022	1,832	2,033	4,181	1,507
3rd .....	3,084	3,039	2,024	2,313	4,470	1,603
4th .....	3,629	2,765	2,369	2,722	4,823	1,712
1974:						
1st .....	2,650	2,884	2,470	1,988	4,341	1,688
2nd .....	1,723	2,642	2,324	1,154	3,171	1,359
3rd .....	1,965	2,546	1,891	1,317	2,597	1,222
4th <sup>5</sup> .....	2,682	2,223	1,548	1,797	2,846	1,532
1975:						
1st <sup>6</sup> .....	2,418	2,200	1,400	1,600	3,046	1,500

<sup>1</sup> Estimated debt incurred on the cattle marketed and paid off from marketing proceeds. <sup>2</sup> Estimated debt incurred on cattle and feed bought. <sup>3</sup> The cost basis of the 13,300,000 head of cattle on feed Jan. 1, 1972 was estimated at \$4,176 million, with estimated outstanding debt of \$3,132 million and minimum

equity of \$1,044 million, assuming a 3:1 leverage typical in the industry. The outstanding debt estimates for subsequent quarters are for the end of each quarter. <sup>4</sup> To support estimated outstanding debt at approximately 25 percent in 1972, increasing to about 35 percent in 1974. <sup>5</sup> Forecast.

Table 2—Cattle feeding: Cost of feeder and feed, market receipts and estimated net margins, 23 States, 1972-74

Year and quarter	Cost of goods sold <sup>1</sup>			Receipts from marketings	Net margin	Cumulative margin <sup>2</sup>
	Cattle	Feed	Total			
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>
1972:						
1st .....	1,479	523	2,002	2,405	403	403
2nd .....	1,633	556	2,189	2,543	354	759
3rd .....	1,761	571	2,332	2,632	300	1,057
4th .....	1,811	580	2,391	2,500	109	1,166
1973:						
1st .....	1,860	578	2,438	2,990	552	1,718
2nd .....	1,846	596	2,442	3,022	580	2,298
3rd .....	2,036	662	2,698	3,039	341	2,639
4th .....	2,349	809	3,158	2,765	-393	2,246
1974:						
1st .....	2,356	937	3,293	2,884	-409	1,837
2nd .....	2,124	975	3,099	2,642	-457	1,380
3rd .....	1,870	1,007	2,877	2,546	-331	1,049
4th <sup>1</sup> .....	1,431	880	2,311	2,223	-88	961
1975: <sup>3</sup>						
1st .....	1,160	1,010	2,170	2,200	30	991

<sup>1</sup> Based on prices paid for feeder steers and feed 6 months prior to quarter marketed. Number of head purchased assumed

to be 2 percent more than number sold to allow for death losses. <sup>2</sup> At end of quarter. <sup>3</sup> Forecast.



but a few had made various forms of guarantees to limit investor losses. In such cases, the losses flowed through to the firms in substantial amounts.<sup>2</sup>

There were about 200 large-scale feedlots with capacities of 16,000 head in 1973. Many of these firms, particularly those owning several lots, raised substantial amounts of equity capital in 1971-73 through the sale of limited partnership interests and other means of obtaining working capital. Although there are no firm estimates available, the total amount is believed to range between \$200 and \$300 million, or 15 to 20 percent of the total equity capital needed by the industry. Consequently, a significant share of the losses have been borne by outside investors and a portion of these losses will be shifted to the Federal government through tax losses.<sup>3</sup>

Feeding firms that used investor funds as a source of equity capital in prior years are again turning to this source of capital with new registrations of offerings. During the first 9 months of 1974 a total of 12 offerings of limited partnership interests or agency agreements were filed with the Securities and Exchange Commission. Nine of these firms had made similar offerings in 1973 or earlier. The total amount registered for sale was about \$87 million, compared with 16 offerings totaling \$139 million in 1973. As only one half of these offerings have been cleared by the SEC as of November 15, 1974, the amount of capital likely to become available to these firms in 1974 is relatively small.

### Conclusions

These simulated debt and equity accounts confirm and quantify the impact of the serious losses that have confronted the cattle feeding industry for the past year or more. Although there still appears to be sufficient equity capital in total to sustain the industry at the reduced level of feeding at which it is now operating, under-utilization of capacity is likely to result in higher overhead per head fed for plant and equipment. Further expansion of feeding facilities has been checked, and a consolidation period has been underway, which is likely to continue until normal net margins are restored. The prospects of attracting additional outside investor capital are not favorable, in view of the operating history of most of the firms that are seeking additional capital of this type to restock their lots.

### Technical Notes

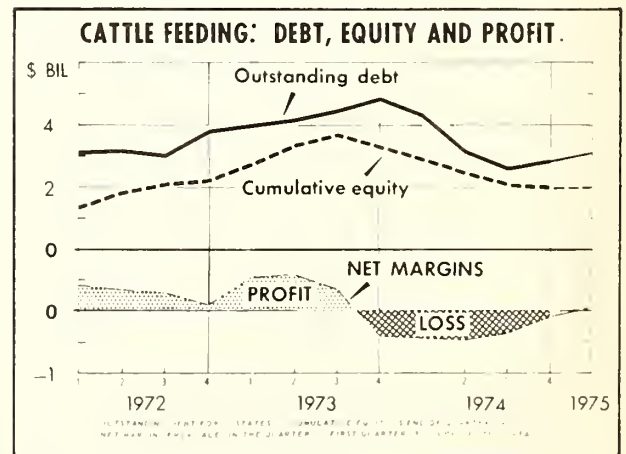
The estimates presented here are intended to illustrate general magnitudes and quarter-to-quarter changes, rather than absolute figures. There are, for example, no

<sup>2</sup>Business Week, May 11, 1974.

<sup>3</sup>The same shifting of losses is available to all taxpayers, but the proportion of the losses shifted is directly related to the marginal tax bracket of the taxpayer.

independent estimates of outstanding debt associated solely with cattle feeding, nor estimates of gross receipts from marketings of fed cattle. Following are the sources of data used, and the general concepts employed in developing the accounts.

1. Numbers of cattle placed on feed and cattle marketed are taken from various reports of *Cattle on Feed*, Statistical Reporting Service, USDA
2. All placements are assumed to average 650 pounds and fed cattle are marketed at 1,050 pounds, for a uniform gain of 400 pounds. Actual feeding practice departs from this assumption both seasonally, and in response to changes in price relationships of feeder cattle of various weights.
3. Feed costs per pound of gain were obtained by averaging the costs shown in the budgets for Texas Panhandle feeding and Corn Belt feeding, as published in various issues of the *Livestock and Meat Situation*. Actual costs of feed were increased by 10 percent, the usual mark-up over ingredient costs in commercial feedlots.
4. Prices used for fed cattle were based on Choice steer prices at Omaha. Feeder prices of Choice feeder steers at Kansas City were used for valuing placements.
5. The initial estimate of outstanding debt and minimum equity for Jan 1, 1972, was based on the estimated cost basis of \$4,176 million for the 13,330,000 head of cattle on feed at that date, assuming a debt to equity ratio of 3.1, or 25 percent equity. New debt is incurred each quarter to finance placements, and debt that was incurred 6 months previously was paid off from the cattle marketed each quarter. The net change in outstanding debt is the sum of repayments and new debt. The assumed debt ratio was reduced to 65 percent starting in the second quarter of 1974 to reflect a general change in credit policy by commercial banks.





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### OUTLOOK CONFERENCE SCHEDULED FOR DECEMBER 9-12, 1974

"U.S. Agriculture in the World Economy" is the theme for the 1975 National Outlook Conference to be held December 9-12 at the U.S. Department of Agriculture in Washington, D.C.

The conference will feature presentations and panel discussions. Particular attention will be given to the outlook for agriculture and the general economy in 1975. Sessions on the 1975 outlook for major commodities, foreign trade, and rural family living will make up an important part of the conference as usual. USDA's Economic Research Service and Extension Service sponsor the conference. More time will be available for commodity sessions. The schedule for individual sessions will be announced later. As in the past, a session will be devoted to the outlook for livestock and meat.

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